1 Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets				
Current assets				
Cash and cash equivalents	8	159,712	116,768	730,256
Trade and other receivables	9, 35	196,035	251,364	1,572,008
Other financial assets	16, 35	4,305	20,246	126,617
Inventories	10	567,800	740,474	4,630,857
Other current assets	17	48,442	51,759	323,696
Total current assets		976,294	1,180,611	7,383,433
Non-current assets				
Property, plant and equipment	11, 21	675,459	722,250	4,516,886
Intangible assets and goodwill	12	70,434	102,746	642,564
Investment property	14	3,477	3,483	21,782
Investments accounted for using equity method	15	538,197	552,796	3,457,136
Other financial assets	16, 35	760,057	906,380	5,668,418
Deferred tax assets	18	288	3,103	19,406
Other non-current assets	17,23	44,416	87,637	548,074
Total non-current assets		2,092,328	2,378,395	14,874,265
Total assets	6	3,068,622	3,559,006	22,257,699

	Notes	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	19, 35	246,428	308,491	1,929,275
Bonds and borrowings	20, 35	193,045	348,619	2,180,231
Other financial liabilities	20, 21, 35	15,232	11,656	72,896
Income taxes payable		18,942	34,180	213,759
Provisions	22	10,312	10,582	66,179
Other current liabilities	24	19,676	33,849	211,689
Total current liabilities		503,635	747,377	4,674,028
Non-current liabilities				
Bonds and borrowings	20, 35	367,258	315,197	1,971,213
Other financial liabilities	20, 21, 35	12,694	15,712	98,261
Provisions	22	41,001	40,283	251,926
Retirement benefit liability	23	3,546	5,412	33,846
Deferred tax liabilities	18	90,004	140,508	878,724
Other non-current liabilities	24	1,098	2,519	15,754
Total non-current liabilities		515,601	519,631	3,249,725
Total liabilities		1,019,236	1,267,008	7,923,752
Equity				
Share capital	25	93,242	93,242	583,127
Capital surplus	7, 25, 34	87,518	87,648	548,143
Treasury shares	25	(37,489)	(52,514)	(328,418)
Other components of equity		413,613	482,025	3,014,540
Retained earnings	25	1,288,853	1,464,434	9,158,437
Total equity attributable to owners of parent		1,845,737	2,074,835	12,975,829
Non-controlling interests	36	203,649	217,163	1,358,118
Total equity		2,049,386	2,291,998	14,333,946
Total liabilities and equity		3,068,622	3,559,006	22,257,699

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

	Notes	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	27	1,593,348	1,741,586	10,891,720
Cost of sales	11, 28	(1,534,843)	(1,467,083)	(9,175,003)
Gross profit		58,505	274,503	1,716,717
Selling, general and administrative expenses	28	(74,394)	(83,302)	(520,963)
Finance income	29	56,088	55,674	348,180
Finance costs	29	(18,046)	(18,316)	(114,547)
Share of profit of investments accounted for using equity method	15	8,705	40,571	253,727
Other income	30	13,653	4,571	28,587
Other expenses	30	(13,128)	(18,021)	(112,702)
Profit before tax	6	31,383	255,680	1,598,999
Income tax expense	18	(19,606)	(66,941)	(418,643)
Profit		11,777	188,739	1,180,356
Profit attributable to:				
Owners of parent		16,487	176,290	1,102,502
Non-controlling interests		(4,710)	12,449	77,855
Profit		11,777	188,739	1,180,356
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings per share	32	59.99	649.55	4.06
Diluted earnings per share	32	59.99	649.53	4.06

Consolidated Statement of Comprehensive Income

	Notes	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		11,777	188,739	1,180,356
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Financial assets measured at fair value through other comprehensive income	31	(49,148)	74,343	464,934
Remeasurements of defined benefit plans	31	(267)	28,686	179,400
Share of other comprehensive income of investments accounted for using equity method	15, 31	403	326	2,039
Total of items that will not be reclassified to profit or loss		(49,012)	103,355	646,373
Items that will be reclassified to profit or loss:				
Cash flow hedges	31	(2,754)	5,088	31,820
Exchange differences on translation of foreign operations	31	96,976	(7,822)	(48,918)
Share of other comprehensive income of investments accounted for using equity method	15, 31	48,653	(80)	(500)
Total of items that will be reclassified to profit or loss		142,875	(2,814)	(17,598)
Other comprehensive income, net of tax		93,863	100,541	628,774
Comprehensive income		105,640	289,280	1,809,131
Comprehensive income attributable to:				
Owners of parent		93,078	276,705	1,730,488
Non-controlling interests		12,562	12,575	78,643
Comprehensive income		105,640	289,280	1,809,131

3) Consolidated Statement of Changes in Equity

FY2024 (From April 1, 2024 to March 31, 2025)

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2024		93,242	89,800	(38,099)	170,900	(107)	173,448
Profit		–	–	–	–	–	–
Other comprehensive income	31	–	–	–	128,294	(2,686)	(49,123)
Total comprehensive income		–	–	–	128,294	(2,686)	(49,123)
Purchase of treasury shares	25	–	–	(20)	–	–	–
Disposal of treasury shares	25	–	792	630	–	–	–
Dividends	26	–	–	–	–	–	–
Establishment of subsidiary with non-controlling interest		–	–	–	–	–	–
Loss of control of subsidiaries		–	–	–	–	–	(1)
Changes in ownership interest in subsidiaries	7	–	(3,074)	–	–	–	–
Transfer to retained earnings	16	–	–	–	–	–	(7,112)
Transactions with owners - total		–	(2,282)	610	–	–	(7,113)
As of March 31, 2025		93,242	87,518	(37,489)	299,194	(2,793)	117,212

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity					
		Remeasurements of defined benefit plans	Total	Retained earnings	Total		
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2024		–	344,241	1,295,920	1,785,104	188,276	1,973,380
Profit		–	–	16,487	16,487	(4,710)	11,777
Other comprehensive income	31	106	76,591	–	76,591	17,272	93,863
Total comprehensive income		106	76,591	16,487	93,078	12,562	105,640
Purchase of treasury shares	25	–	–	–	(20)	–	(20)
Disposal of treasury shares	25	–	–	–	1,422	–	1,422
Dividends	26	–	–	(30,773)	(30,773)	(8,410)	(39,183)
Establishment of subsidiary with non-controlling interest		–	–	–	–	579	579
Loss of control of subsidiaries		–	(1)	1	–	(180)	(180)
Changes in ownership interest in subsidiaries	7	–	–	–	(3,074)	10,822	7,748
Transfer to retained earnings	16	(106)	(7,218)	7,218	–	–	–
Transactions with owners - total		(106)	(7,219)	(23,554)	(32,445)	2,811	(29,634)
As of March 31, 2025		–	413,613	1,288,853	1,845,737	203,649	2,049,386

FY2025 (From April 1, 2025 to March 31, 2026)

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2025		93,242	87,518	(37,489)	299,194	(2,793)	117,212
Profit		–	–	–	–	–	–
Other comprehensive income	31	–	–	–	(9,911)	6,977	74,362
Total comprehensive income		–	–	–	(9,911)	6,977	74,362
Purchase of treasury shares	25	–	–	(15,025)	–	–	–
Disposal of treasury shares	25	–	1	0	–	–	–
Dividends	26	–	–	–	–	–	–
Share-based payment transactions		–	47	–	–	–	–
Changes in ownership interest in subsidiaries	7	–	82	–	–	–	–
Transfer to retained earnings	16	–	–	–	–	–	(3,016)
Transactions with owners - total		–	130	(15,025)	–	–	(3,016)
As of March 31, 2026		93,242	87,648	(52,514)	289,283	4,184	188,558

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity					
		Remeasurements of defined benefit plans	Total	Retained earnings	Total		
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2025		–	413,613	1,288,853	1,845,737	203,649	2,049,386
Profit		–	–	176,290	176,290	12,449	188,739
Other comprehensive income	31	28,987	100,415	–	100,415	126	100,541
Total comprehensive income		28,987	100,415	176,290	276,705	12,575	289,280
Purchase of treasury shares	25	–	–	–	(15,025)	–	(15,025)
Disposal of treasury shares	25	–	–	–	1	–	1
Dividends	26	–	–	(32,712)	(32,712)	(6,860)	(39,572)
Share-based payment transactions		–	–	–	47	–	47
Changes in ownership interest in subsidiaries	7	–	–	–	82	7,799	7,881
Transfer to retained earnings	16	(28,987)	(32,003)	32,003	–	–	–
Transactions with owners - total		(28,987)	(32,003)	(709)	(47,607)	939	(46,668)
As of March 31, 2026		–	482,025	1,464,434	2,074,835	217,163	2,291,998

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehen-sive income
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2025		583,127	547,330	(234,453)	1,871,132	(17,467)	733,033
Profit		–	–	–	–	–	–
Other comprehensive income	31	–	–	–	(61,982)	43,634	465,053
Total comprehensive income		–	–	–	(61,982)	43,634	465,053
Purchase of treasury shares	25	–	–	(93,965)	–	–	–
Disposal of treasury shares	25	–	6	0	–	–	–
Dividends	26	–	–	–	–	–	–
Share-based payment transactions		–	294	–	–	–	–
Changes in ownership interest in subsidiaries	7	–	513	–	–	–	–
Transfer to retained earnings	16	–	–	–	–	–	(18,862)
Transactions with owners - total		–	813	(93,965)	–	–	(18,862)
As of March 31, 2026		583,127	548,143	(328,418)	1,809,149	26,166	1,179,225

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity					
		Remeasure-ments of defined benefit plans	Total	Retained earnings	Total		
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2025		–	2,586,698	8,060,369	11,543,071	1,273,602	12,816,673
Profit		–	–	1,102,502	1,102,502	77,855	1,180,356
Other comprehensive income	31	181,282	627,986	–	627,986	788	628,774
Total comprehensive income		181,282	627,986	1,102,502	1,730,488	78,643	1,809,131
Purchase of treasury shares	25	–	–	–	(93,965)	–	(93,965)
Disposal of treasury shares	25	–	–	–	6	–	6
Dividends	26	–	–	(204,578)	(204,578)	(42,902)	(247,480)
Share-based payment transactions		–	–	–	294	–	294
Changes in ownership interest in subsidiaries	7	–	–	–	513	48,774	49,287
Transfer to retained earnings	16	(181,282)	(200,144)	200,144	–	–	–
Transactions with owners - total		(181,282)	(200,144)	(4,434)	(297,730)	5,872	(291,857)
As of March 31, 2026		–	3,014,540	9,158,437	12,975,829	1,358,118	14,333,946

4) Consolidated Statement of Cash Flows

	Notes	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		31,383	255,680	1,598,999
Depreciation and amortization		67,074	59,842	374,246
Impairment losses		112,671	7,943	49,675
Share of loss (profit) of investments accounted for using equity method		(8,705)	(40,571)	(253,727)
Loss (gain) on transfer of interests		(6,693)	–	–
Increase or decrease in retirement benefit asset or liability		558	(41,356)	(258,637)
Increase (decrease) in provisions		1,904	2,007	12,552
Finance income		(56,088)	(55,674)	(348,180)
Finance costs		18,046	18,316	114,547
Decrease (increase) in trade and other receivables		(8,767)	(53,126)	(332,245)
Decrease (increase) in inventories		(51,997)	(170,425)	(1,065,822)
Increase (decrease) in trade and other payables		(2,749)	50,980	318,824
Decrease (increase) in advance payments to suppliers		488	7,196	45,003
Increase (decrease) in accrued consumption taxes		(14,115)	4,328	27,067
Other	2	21,921	21,363	133,602
Subtotal		104,931	66,503	415,904
Interest received		44,367	42,547	266,085
Dividends received		52,899	55,580	347,592
Interest paid		(17,630)	(15,937)	(99,669)
Income taxes paid		(35,479)	(46,883)	(293,202)
Income taxes refund		556	–	–
Net cash provided by (used in) operating activities		149,644	101,810	636,710
Cash flows from investing activities				
Purchase of property, plant and equipment		(117,141)	(82,756)	(517,548)
Purchase of intangible assets		(5,015)	(2,835)	(17,730)
Purchase of investment securities		(1,785)	(479)	(2,996)
Proceeds from sale of investment securities		18,629	6,937	43,383
Purchase of shares of subsidiaries and associates		(23,994)	(17,650)	(110,381)
Collection of short-term loans receivable		4,001	324	2,026
Payments for long-term loans receivable		(72,161)	(52,191)	(326,398)
Payments for acquisition of interests	33	–	(33,398)	(208,868)
Proceeds from transfer of interests	33	56,390	–	–
Other	2	2,192	(3,200)	(20,013)
Net cash provided by (used in) investing activities		(138,884)	(185,248)	(1,158,524)

	Notes	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from financing activities				
Proceeds from short-term borrowings	33	385,965	607,746	3,800,788
Repayments of short-term borrowings	33	(366,796)	(546,749)	(3,419,318)
Proceeds from long-term borrowings	33	29,935	30,409	190,175
Repayments of long-term borrowings	33	(57,453)	(73,397)	(459,018)
Proceeds from issuance of bonds	33	242,739	349,079	2,183,108
Redemption of bonds	33	(207,810)	(279,478)	(1,747,830)
Proceeds from share issuance to non-controlling shareholders		13,157	7,991	49,975
Dividends paid	26	(30,773)	(32,712)	(204,578)
Dividends paid to non-controlling shareholders		(8,410)	(6,860)	(42,902)
Purchase of treasury shares	2	(20)	(15,025)	(93,965)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(4,830)	(110)	(688)
Other	2, 33	(1,884)	(4,158)	(26,004)
Net cash provided by (used in) financing activities		(6,180)	36,736	229,744
Net increase (decrease) in cash and cash equivalents		4,580	(46,702)	(292,070)
Cash and cash equivalents at beginning of period	8	151,022	159,712	998,824
Effect of exchange rate changes on cash and cash equivalents		4,110	3,758	23,502
Cash and cash equivalents at end of period	8	159,712	116,768	730,256

Notes to Consolidated Financial Statements

1. Reporting Entity

Sumitomo Metal Mining Co., Ltd. (hereinafter the “Company”) is a company based in Japan, and its shares are listed on the Tokyo Stock Exchange. The address of head office is 11-3, Shimbashi 5-chome Minato-ku, Tokyo. The Company’s consolidated financial statements, which were prepared with the end of the fiscal year on March 31, 2026, represent the Company and its subsidiaries (hereinafter the “SMM Group”) as well as the Company’s interests in its associates and joint ventures.

The ultimate parent of the SMM Group is the Company. Description of the SMM Group’s main businesses and activities is included in operating segments section (6. Operating Segments).

2. Basis of Preparation

(1) Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the SMM Group meet the requirements for a “Specified Company Complying with Designated International Accounting Standards” as prescribed in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), and thus are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) pursuant to the provisions of Article 312 of the aforementioned Ministry of Finance Order.

(2) Approval of the consolidated financial statements

The consolidated financial statements of the SMM Group were approved on June 24, 2026, by Nobuhiro Matsumoto, President and Representative Director.

(3) Basis of measurement

The consolidated financial statements of the SMM Group are prepared based on acquisition cost, except for the financial instruments, etc., stated in the material accounting policies section (3. Summary of Material Accounting Policies).

(4) Presentation currency

The consolidated financial statements of the SMM Group are presented in Japanese yen, which is the functional currency adopted by the Company, and figures less than one million yen are rounded to the nearest million yen. The totals of the related items in Japanese yen in the notes may not match the corresponding line items in the financial statements due to rounding.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2026, which was ¥159.90 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. The totals of U.S. dollars conversions of the Japanese yen item amounts may not match the totals due to rounding.

(5) Changes in accounting policies

Material accounting policies applied in the consolidated financial statements of the SMM Group are the same as those applied in the consolidated financial statements for FY2024.

(6) Changes in presentation method

(Consolidated statement of cash flows)

“Loss (gain) on sale of fixed assets”, which was presented separately under “Cash flows from operating activities” in FY2024, is included in “Other” under “Cash flows from operating activities” due to its decreased materiality. In order to reflect this change in the presentation method, the consolidated financial statements for FY2024 have been restated.

As a result, in the consolidated statement of cash flows for FY2024, ¥(227) million in “Loss (gain) on sale of fixed assets” and ¥22,148 million in “Other” under “Cash flows from operating activities” have been reclassified to ¥21,921 million in “Other”.

“Proceeds from sale of property, plant and equipment” and “Payments from sale of interests, etc. in subsidiaries resulting in change in scope of consolidation”, which were presented separately under “Cash flows from investing activities” in FY2024, are included in “Other” under “Cash flows from investing activities” due to their decreased materiality. In order to reflect these changes in the presentation method, the consolidated financial statements for FY2024 have been restated.

As a result, in the consolidated statement of cash flows for FY2024, ¥467 million in “Proceeds from sale of property, plant and equipment”, ¥(465) million in “Payments from sale of interests, etc. in subsidiaries resulting in change in scope of consolidation” and ¥2,190 million in “Other” under “Cash flows from investing activities” have been reclassified to ¥2,192 million in “Other”.

“Other”, which was presented separately under “Cash flows from financing activities” in FY2024, is included in “Purchase of treasury shares” under “Cash flows from financing activities” due to its decreased materiality. In order to reflect this change in the presentation method, the consolidated financial statements for FY2024 have been restated.

As a result, in the consolidated statement of cash flows for FY2024, ¥(1,904) million in “Other” under “Cash flows from financing activities” have been reclassified to ¥(20) million in “Purchase of treasury shares” and ¥(1,884) million in “Other”.

3. Summary of Material Accounting Policies

Unless otherwise specified, material accounting policies applied in the consolidated financial statements are the same as those applied in all the periods stated.

(1) Basis for consolidation

These consolidated financial statements are prepared based on the financial statements of the Company, its subsidiaries, associates and joint ventures.

1) Subsidiaries

Subsidiaries refer to the companies under the control of the SMM Group. Financial statements of subsidiaries are included in the SMM Group's consolidated financial statements in the period between the date when control is obtained and the date when the control is lost. Some of the subsidiaries use financial statements based on the provisional settlement conducted at the end of the reporting period of the parent. The aforementioned subsidiaries include those unable to adopt the parent's closing date in practice due to the requirement to use specific closing dates other than the parent's under the local laws and regulations, or those unable to conduct provisional settlement in practice due to the environment surrounding their local accounting systems or their business characteristics. The gap between the end of the reporting period of such subsidiaries and that of the parent does not exceed three months, while adjustments are made as appropriate for the significant transactions or events during such gap period. Changes in ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are directly recognized in equity attributable to owners of parent. Balances of receivables and payables and transactions within the SMM Group, as well as the unrealized gains or losses arising from the transactions within the SMM Group, are eliminated at the time when the consolidated financial statements are prepared.

2) Associates and joint agreement

Associates refer to the companies over which the SMM Group does not have control or joint control, but has a significant influence over the decisions on financial and operating policies.

Joint control exists only when decisions about the relevant activities require, by prior contractual arrangements, the unanimous consent of the parties sharing control. Joint arrangements are classified, depending on the rights and obligations of the parties that have joint control, into either joint operations or joint ventures. A joint operation refers to an arrangement in which parties that have joint control have rights to the assets, and obligations to the liabilities arising under the arrangement, while a joint venture is a joint arrangement in which parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates or joint ventures are recognized at cost at the time of acquisition, and accounted for by using equity method. The consolidated financial statements of the SMM Group include investments in equity-method associates with various closing dates, as it is impracticable to unify closing date due to the consideration for the relationship with other shareholders. The gap between the end of the reporting period of such equity-method associates and that of the SMM Group does not exceed three months, while adjustments are made as appropriate for the significant transactions or events during such gap period.

Unrealized gains derived from the transactions with such equity method associates are deducted from the investments to the extent of the SMM Group's interest in the investee. Unrealized losses are deducted from the investments in the same way as unrealized gains, subject to absence of evidence of impairment.

For investments in joint operations, the SMM Group recognizes its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, its share of revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly.

3) Business combinations and goodwill

Business combinations are accounted for by the acquisition method. Identifiable assets and liabilities of the acquiree are measured in principle at fair value as of the acquisition date. Goodwill is measured as the excess, if any, of the aggregate of the consideration transferred in a business combination, the amount of non-controlling interest in the acquiree, and the fair value of the acquirer's previously-held equity interest in the acquiree, over the net of the identifiable assets and liabilities as of the acquisition date. The consideration transferred in a business combination is calculated as the sum of the fair values of the assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and equity interests issued by the acquirer as of the acquisition date.

The SMM Group decides whether to measure the non-controlling interest at fair value or at the non-controlling interest's proportional share of identifiable net assets of the acquiree for each business combination on a case-by-case basis. Acquisition-related costs are accounted for as expenses in the period in which the costs are incurred.

Additional acquisition of non-controlling interest after the acquisition of control is accounted for as equity transaction, for which no goodwill is recognized.

(2) Foreign currency translation

1) Foreign currency denominated transactions

Foreign currency denominated transactions are translated into the functional currency by the exchange rate on the transaction date or the exchange rate approximate thereto. Foreign currency denominated monetary items on the closing date are translated into the functional currency by the exchange rate on the closing date, while the non-monetary items measured at fair value are translated into the functional currency by the exchange rate on the date when such fair value is calculated. Exchange differences arising from such translation or settlement are recognized in profit or loss, provided, however, that equity instruments measured at fair value through other comprehensive income and the effective portion of hedging in the exchange difference arising from the hedging instrument for cash flow hedges against foreign currency risks are recognized in other comprehensive income.

2) Foreign operations

Assets and liabilities in the statement of financial position at foreign operations are translated by the exchange rate on the date of such statement, while revenues and expenses of respective statements presenting profit or loss and other comprehensive income are translated by the average exchange rate during the period unless exposed to significant exchange rate fluctuations. Exchange differences resulting from such translation are recognized in other comprehensive income. In the event of disposal of a foreign operation, the cumulative amount of exchange differences related to such foreign operation is reclassified to profit or loss for the period in which such disposal is carried out.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposit, and short-term investments with maturities not exceeding three months from the purchase date, that are readily convertible into cash and subject to an insignificant risk of changes in value.

(4) Financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

The SMM Group classifies non-derivative financial assets into financial assets measured at fair value through profit or loss, or other comprehensive income, and financial assets measured at amortized cost. The SMM Group determines such classification at the time of initial recognition. A regular way purchase or sale of financial assets is recognized or derecognized on the date of transaction.

Unless classified into those measured at fair value through profit or loss, all financial assets are measured at fair value added with transaction costs directly attributable thereto, provided, however, that trade receivables not containing a significant financing component are subject to initial measurement at transaction price.

(a) Financial assets measured at amortized cost

Financial assets that meet both of the following conditions are classified into financial assets measured at amortized cost.

- Financial assets are held based on the business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are classified into financial assets measured at fair value.

Of the financial assets measured at fair value, equity instruments are individually measured at fair value through profit or loss, unless the SMM Group makes an irrevocable election to present subsequent changes in fair value in other comprehensive income.

(ii) Subsequent measurement

Measurement of financial assets after the initial recognition are as follows, depending on respective classifications.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are, subsequent to initial recognition, measured at amortized cost by using the effective interest method. Amortization by using the effective interest method, as well as gains and losses associated with derecognition, are recognized as part of finance income through profit or loss in the current period.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value, where changes in fair value are recognized in profit or loss, or in other comprehensive income, depending on the classification of such financial assets. Dividends from such financial assets are recognized as part of finance income through profit or loss in the current period.

(iii) Impairment of financial assets

To determine the recoverability of financial assets measured at amortized cost, expected credit loss is estimated at the end of each period.

For the financial assets with no significant increase in credit risk associated therewith since initial recognition, an amount equal to the expected credit loss in the next 12 months is recognized as allowance for doubtful accounts, while for the financial assets with significant increase in credit risk associated therewith since initial recognition, an amount equal to the lifetime expected credit loss is recognized as allowance for doubtful accounts. On the other hand, for trade receivables, etc., allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit loss without exception. Expected credit loss is measured based on the present value of the difference between all contractual cash flows payable to a company, and all contractual cash flows expected to be received by a company.

In determining whether there has been a significant increase in credit risk as a result of a change in default risk, considerations include information concerning the deterioration of the obligor’s business performance, etc., apart from past due information.

Any situation in which recovery of a financial asset is wholly or partially impossible, or is deemed to be extremely difficult, is considered as default.

If the asset is deemed as default or if the issuer or obligor meets with extreme financial difficulty, it is judged to be a credit-impaired financial asset.

For the financial assets with evidence of impairment of credit thereof, interest revenue is measured at an amount calculated by subtracting allowance for doubtful accounts from gross carrying amount, then multiplying by the effective interest rate.

In the event of a decrease in credit risk in later period, which can be associated objectively with an actual event that occurred subsequent to the recognition of impairment, reversal of the previously recognized impairment loss is recognized in profit or loss.

Allowance for doubtful accounts is directly deducted from financial assets measured at amortized cost.

(iv) Derecognition of financial assets

The SMM Group derecognizes financial assets if the contractual rights to cash flows arising from the financial assets expire, or if the SMM Group transfers the rights to receive cash flows from the financial assets and substantially all the risks and rewards of ownership of the financial assets.

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

The SMM Group classifies non-derivative financial liabilities into financial liabilities measured at amortized cost. The SMM Group determines such classification at the time of initial recognition of the financial liabilities. Financial liabilities measured at amortized cost are measured at an amount after deduction of transaction costs directly attributable thereto.

(ii) Subsequent measurement

Financial liabilities measured at amortized cost are, subsequent to initial recognition, measured at amortized cost by using the effective interest method. Amortization by using the effective interest method, as well as gains and losses associated with derecognition, are recognized as part of finance costs through profit or loss in the current period.

(iii) Derecognition

The SMM Group derecognizes financial liabilities when they are extinguished, namely when the obligation specified in the contract is discharged or cancelled or expires.

3) Derivatives and hedge accounting

In order to hedge foreign currency risk, interest rate risk, and commodity price risk, the SMM Group uses derivatives including forward exchange contract, interest rate swap contract, and commodity futures contract. Documentation regarding the relationship between hedging instruments and hedged items, and the SMM Group's risk management objective and strategy for undertaking the hedge is provided at the start of trading. Evaluation is carried out at the commencement of hedging and then on a continual basis thereafter to determine whether the derivative used for the hedging transactions meets the hedge accounting requirements in offsetting the fluctuations in the fair value or the cash flows of the hedged items.

Derivatives are subjected to initial recognition at fair value. For some of the derivatives that do not meet the requirements of hedge accounting, fluctuations in fair value subsequent to their initial recognition are recognized in profit or loss. For the derivatives that meet the requirements of hedge accounting, changes in fair value are accounted for as follows.

(i) Fair value hedges

Changes in fair value of the derivatives designated as fair value hedges, thus meeting the requirements thereof, along with the changes in fair value of the hedged assets or liabilities corresponding to the hedged risks, are recognized in profit or loss.

(ii) Cash flow hedges

Changes in fair value of the derivatives designated as cash flow hedges, thus meeting the requirements thereof, are recognized in other comprehensive income, provided, however, that the ineffective portion of hedging in changes in fair value of such derivatives is recognized in profit or loss.

The amount accumulated in other components of equity is reclassified into profit or loss in the period in which hedged items affect profit or loss.

In either case of fair value hedges or cash flow hedges, if the derivatives no longer meet the hedge accounting requirements, or when hedging instruments are lapsed, sold, terminated or exercised, adoption of hedge accounting is discontinued thereafter.

4) Embedded derivatives

Sales contracts for copper concentrates, etc. generally include provisional price terms at the time of shipment, and the final prices are determined based on the monthly average price of copper on the London Metal Exchange (LME) over certain future period. Such sales based on provisional price are considered as sales contracts with a nature of commodity futures contract, where delivery month is the month in which price is determined, and thus deemed to contain embedded derivatives with sales of copper concentrates, etc., as a host. In the case of such embedded derivatives involving a post-shipment price adjustment process, the host (non-derivative component) of the host contract is a financial asset, and therefore such embedded derivatives are accounted for as an integral part of the whole pursuant to IFRS 9 "Financial Instruments" (hereinafter "IFRS 9").

Revenues from provisional price-based sales are recognized at estimated fair value of the consideration received, and are re-estimated at the end of the reporting period. The difference between the fair value at the time of shipment and that at the end of the reporting period is recognized as adjustment to revenues.

5) Financial assets for the contingent consideration

Financial assets for the contingent consideration are initially recognized at fair value on the date of acquisition, and subsequent changes in the fair value are recognized in profit or loss.

(5) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of inventories includes purchase cost and conversion cost, and is calculated by using primarily the first-in first-out method, except for some of the foreign subsidiaries where the gross average method is used. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Property, plant and equipment (excluding right-of-use assets)

Property, plant and equipment are measured by using cost model, and presented at the value calculated by subtracting accumulated depreciation and accumulated impairment from acquisition cost. Acquisition cost includes costs directly associated with the acquisition of assets, and any costs for dismantlement, removal, and site restoration, as well as borrowing costs to be capitalized. Depreciation of property, plant and equipment (excluding mining sites and tunnels) is calculated by mainly using the straight-line method, while mining sites and tunnels are depreciated by using the units-of-production method. Depreciation of these assets commences when they become available for their intended use.

Estimated useful lives of the main assets by category are as follows.

Buildings and structures:	From two to sixty (60) years
Machinery, equipment and vehicles:	From two to thirty-five (35) years

Estimated useful lives, residual values, and depreciation method are reviewed at the end of each fiscal year, and any change therein is applicable prospectively as changes in accounting estimates.

(7) Intangible assets and goodwill

1) Goodwill

Goodwill arising from business combinations is presented at acquisition cost less accumulated impairment. Goodwill is not amortized, but allocated to cash-generating units or cash-generating unit groups and subjected to impairment test on an annual basis, or as appropriate if there is an indication of impairment. Impairment loss of goodwill is recognized in profit or loss, involving no subsequent reversal. Measurement of goodwill at initial recognition is described in "(1) Basis for consolidation, 3) Business combinations and goodwill".

2) Other intangible assets

Intangible assets are measured subsequent to recognition by using cost model, and presented at the value calculated by subtracting accumulated amortization and accumulated impairment from acquisition cost. Mining rights (mineral rights) are amortized by using the units-of-production method, while mining rights (exploration rights) by the straight-line method. Software is also amortized by using the straight-line method. Amortization of these assets commences when they become available for their intended use.

Estimated useful lives of the main intangible assets are as follows.

Mining rights (mineral rights):	By the units-of-production method
Mining rights (exploration rights):	Five years
Software:	Five years

Estimated useful lives, residual values, and amortization method are reviewed at the end of each fiscal year, and any change therein is applicable prospectively as changes in accounting estimates.

(8) Investment property

Investment property refers to property held for the purpose of rental income or capital gain, or both. Investment property is measured subsequent to recognition by using cost model.

(9) Exploration and evaluation of mining resources

Expenditures concerning the exploration for and evaluation of mining resources are divided into stages comprising acquisition of legal rights, completion of feasibility study and start of commercial production. Expenditures incurred before completion of feasibility study are charged to expenses in principle, provided, however, that exploration rights and other rights obtained from the outside parties are recognized as intangible asset, while mining machinery and vehicles as property, plant and equipment.

(10) Stripping costs

Stripping costs refer to expenditures associated with the stripping activities for removing mine waste materials to reach mining resources, incurred in development as well as production phase at surface mines. Since stripping activities in the development phase are meant to gain access to mining resources, such stripping costs are recognized in assets. Stripping costs in the production phase include costs for producing mining resources, and those for improving access to the future mining resources. Stripping costs associated with the production of mining resources therefore comprise part of the SMM Group's inventories, while those for improving access to the future mining resources are classified as stripping activity asset insofar as they meet certain criteria, and capitalized by component. Such stripping activity asset is depreciated by using the units-of-production method based on the reserves, etc. of the associated component.

(11) Leases

The SMM Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease contract.

1) Right-of-use assets

Right-of-use assets are initially measured at acquisition cost, which comprises the amount of the initial measurement of lease liabilities, initial direct costs, and the initial estimated cost of dismantling, removing and restoring to the original condition of underlying assets, among others.

Right-of-use assets are measured subsequent to recognition by using cost model, and measured at the value calculated by subtracting accumulated depreciation and accumulated impairment from acquisition cost.

Right-of-use assets are depreciated using the straight-line method over the shorter of lease term and useful lives of right-of-use assets.

2) Lease liabilities

Lease liabilities are initially recognized at the present value of outstanding lease payments at the commencement date of the contract, discounted using the interest rate implicit in the lease.

If the interest rate implicit in the lease is not readily determined, the SMM Group's incremental borrowing rate is used as the discount rate.

In subsequent measurement, lease liabilities are measured by increasing the carrying amount to reflect the interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

(12) Impairment of non-financial assets

The SMM Group assesses whether there is an indication of impairment as of the end of the fiscal year in the non-financial assets excluding inventories, deferred tax assets, assets held for sale, and retirement benefit asset. If any such indication exists, the SMM Group estimates the recoverable amount of each asset. Where it is impossible to estimate the recoverable amount of individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. The recoverable amount of the asset or the cash-generating unit is measured at the higher of fair value less costs of disposal and value in use. Value in use is calculated by discounting the estimated future cash flows into present value, using the discount rate reflecting time value of money as well as the risks specific to the concerned asset. Only if the recoverable amount of the asset or that of the cash-generating unit is lower than their carrying amount, the carrying amount of such asset is reduced to the recoverable amount and recognized in profit or loss. As for the asset or cash-generating unit other than the goodwill for which impairment was recognized in prior years, test is conducted on the end of the fiscal year, to see if there is indication of likely decrease or elimination of such impairment loss recognized in prior years. If such indication exists, the recoverable amount of the asset or the cash-generating unit is estimated, where if the recoverable amount exceeds the carrying amount, the impairment loss is reversed to the extent not exceeding the lower of calculated recoverable amount and the carrying amount less depreciation/amortization if the impairment loss had not been recognized for the asset in prior years. Reversal of impairment loss is immediately recognized in profit or loss.

(13) Assets held for sale

If the carrying amount of non-current assets or disposal group is expected to be recovered mainly from their sale transactions rather than continuous use, they are classified as assets held for sale. Such classification involves requirements that they are likely to be sold within one year, and that they are readily available for sale.

Non-current assets or disposal group classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. Of the assets classified as held for sale, property, plant and equipment, and intangible assets are neither depreciated nor amortized.

(14) Employee benefits

1) Defined benefit plan

The present value of defined benefit obligation and the related current and past service cost are calculated for each plan by using the projected unit credit method. Discount rate is determined by reference to market yields on high quality corporate bonds at the end of the fiscal year. Liability or asset associated with a defined benefit plan is calculated by subtracting the fair value of the plan assets from the present value of defined benefit obligation. However, if the defined benefit plan has a surplus, a net defined benefit asset is limited to the asset ceiling, which is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Remeasurements of the net amount of liability or asset associated with a defined benefit plan are recognized collectively through other comprehensive income in the period in which such assets or liabilities arise, and reclassified as retained earnings.

2) Defined contribution plan

Post-employment benefit expense associated with a defined contribution plan is recognized as expenses in the period in which the employee renders service.

(15) Share-based payment

The Company has adopted an equity-settled share-based compensation plan as its stock compensation plan. The compensation under this plan is measured by reference to the fair value of the Company's shares granted. The calculated compensation is recognized as an expense in profit or loss, and the corresponding amount is recognized as an increase in equity.

(16) Provisions

Provisions are recognized when there exists present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

(17) Government grants

Government grants are recognized when there is reasonable assurance that the SMM Group will comply with the conditions for such grant and that the grant will be received. Grant that covers the incurred cost is recorded as revenue in the fiscal year that such cost is incurred. Grant that covers an asset is recorded at the carrying amount of the concerned asset, which is determined at the cost to acquire such asset less the amount of grant.

(18) Equity

1) Ordinary shares

As for ordinary shares, issue price is recorded in share capital and capital surplus.

2) Treasury shares

When treasury shares are acquired, consideration paid is recognized in equity as a deduction item. When treasury shares are sold, the difference between the carrying amount and the consideration thereof at the time of sale is recognized as capital surplus.

(19) Revenue

The SMM Group recognizes revenue through the following five steps, except for interest and dividend income based on IFRS 9.

Step 1: Identify contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

The SMM Group mainly engages in sales of raw ore such as gold and silver ore and copper concentrates, and copper produced by SX-EW method in the Mineral Resources business, non-ferrous metals such as electrolytic copper in the Smelting & Refining business, and battery materials and advanced materials, etc., in the Materials business. With regard to revenue from the sale of these goods, revenue is generally measured at transaction prices in contracts, and the revenue is recognized at the time of delivery of the goods when a performance obligation is satisfied by transferring control over the goods to the customer.

(20) Finance income and finance costs

Finance income and finance costs consist mainly of interest income, dividend income, interest expense, changes in fair value of derivative financial instruments, and foreign exchange gains and losses.

Interest income, interest expense and interest on bonds are recognized at the time of occurrence by using the effective interest method.

(21) Income taxes

Income taxes are the sum of current and deferred tax.

1) Current tax

Current tax is measured at an amount of tax paid to, or expected amount of refund from the tax authorities. The amount of tax is calculated based on the tax rates and the tax laws that have been established or enacted, or substantially established or enacted by the closing date. Current tax recognized in profit or loss includes neither tax arising from the items directly recognized in other comprehensive income or in equity, nor tax arising from business combinations.

2) Deferred tax

Deferred tax is recognized to the extent of taxable profit expected to be generated to recover the temporary differences between the carrying amount of assets and liabilities for accounting purposes and their tax bases, unused tax credits, and unused tax losses as of the closing date, while deferred tax liabilities are recognized in principle for taxable temporary differences.

Neither deferred tax assets nor deferred tax liabilities are recorded in the following cases.

- Temporary differences arising from the initial recognition of goodwill, unless the carrying amount of goodwill arising from a business combination is lower than its tax base.
- Temporary differences arising from the initial recognition of assets or liabilities in the transactions outside business combinations, which affect, at the time of transaction, neither accounting profit nor taxable profit (loss), and do not give rise to taxable temporary differences or deductible temporary differences.
- Deductible temporary differences arising from investments in subsidiaries and associates, when such deductible temporary differences are unlikely to be reversed, or when taxable profit for which such deductible temporary differences is used, is unlikely to be earned, in either case in the foreseeable future.
- Taxable temporary differences arising from investments in subsidiaries and associates, when the Company retains control over the timing of reversal of such taxable temporary differences, and such taxable temporary differences are unlikely to be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities are calculated by using the tax rate expected to be applicable in the period in which the temporary differences are reversed, based on the statutory tax rate or effective statutory tax rate as well as the prevailing tax law as of the closing date. Deferred tax assets and deferred tax liabilities are offset, when the SMM Group has legally enforceable rights to offset the current tax liabilities and the current tax assets, and when they are imposed by the same taxation authorities on the same taxable entity.

The SMM Group has applied the exception in the “International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)” issued on May 23, 2023. The SMM Group does not account for and disclose deferred tax assets and deferred tax liabilities related to income taxes (including the Qualifying Domestic Minimum Top-Up Tax) arising from the tax regime legislated by adopting the Pillar Two Model Rules in the tax challenges arising from the digitalization of the economy (BEPS 2.0).

The Company and some domestic consolidated subsidiaries have adopted the Group Tax Sharing System from FY2022.

(22) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of parent entity by the weighted average number of ordinary shares outstanding after adjustment to treasury shares during the period. Diluted earnings per share are calculated taking into consideration the effect of all dilutive shares.

4. Significant Accounting Estimates and Judgments Involving Estimates

The consolidated financial statements of the SMM Group are prepared by using judgments, estimates, and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenue, and expenses. Actual results could differ from those accounting estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effect of any changes in accounting estimates is recognized in the reporting period in which the change was made and in future periods.

The items involving estimates and judgments that significantly affect the amounts in the consolidated financial statements are listed as follows:

- Valuation of property, plant and equipment (Note 11. Property, Plant and Equipment)
- Recoverability of deferred tax assets (Note 18. Income Taxes)
- Accounting for and measurement of provisions (Note 22. Provisions)

5. Standards and Interpretations Newly Issued or Amended but Not Yet Adopted

The SMM Group plans to adopt IFRS 18 "Presentation and Disclosure in Financial Statements", which was issued in April 2024, from the fiscal year ending March 31, 2028 as its application will be mandatory for fiscal years beginning on or after January 1, 2027. IFRS 18 replaces IAS 1 "Presentation of Financial Statements", and IAS 1 is repealed.

IFRS 18 establishes new provisions for presentation and disclosure of financial results, primarily in the statement of profit or loss. In addition, in conjunction with the release of IFRS 18, IAS 7 "Statement of Cash Flows" has been revised.

The impact of the adoption of these standards on the consolidated financial statements is under consideration.

In addition, the Company has determined that other standards yet to be adopted have no significant impact on the consolidated financial statements of the SMM Group.

6. Segment Information

(1) Summary of reportable segments

1) Decision method of the reportable segments

The operating segments of the Company refer to constitutional units, for which separate financial information is available and that are subject to periodic reviews by the Board of Directors as the supreme, managerial decision-making organ to determine the allocation of management resources and assess their respective operating results.

The Company currently has four business divisions—the Mineral Resources Div., Non-Ferrous Metals Div., Battery Materials Div. and Advanced Materials Div.—in the pursuit of effective business operations by products and services. Each of these business divisions plans its own comprehensive strategies to be carried out in Japan and overseas for its own product and service lines and engages in diverse business activities within the Company and through the consolidated subsidiaries and equity-method associates over which it holds jurisdiction. The Company has integrated operating segments with regard to the Battery Materials Div. and the Advanced Materials Div. which have similar business characteristics and similar economic characteristics in terms of their customers, etc., and are recognized to be similar in all aspects including product/service characteristics. The Company has classified these operating segments into three core reportable segments of Mineral Resources, Smelting & Refining, and Materials by classifying the mineral resource business into Mineral Resources, the non-ferrous metals business into Smelting & Refining, and the battery materials business and the advanced materials business into Materials.

2) Types of products and services that belong to each reportable segment

In the Mineral Resources segment, the SMM Group mainly engages in the exploration, development and production of non-ferrous metal resources in Japan and overseas, as well as sales of ores and products.

In the Smelting & Refining segment, the SMM Group mainly engages in smelting and sales of copper, nickel, ferronickel, zinc, etc., as well as smelting and sales of precious metals such as gold, silver, platinum and palladium.

In the Materials segment, the SMM Group mainly engages in manufacturing, processing and sales of battery materials (e.g., nickel hydroxide, lithium nickel oxide), powder materials (e.g., pastes, nickel powder, NIR absorbing materials, magnetic materials), crystal materials (e.g., lithium tantalate substrates, lithium niobate substrates) and tape materials; and manufacturing and sales of automotive exhaust processing catalysts, chemical catalysts, petroleum refinery and desulfurization catalysts.

(2) Information on net sales, income (loss), assets and other items by reportable segments

The accounting methods employed for the reportable segments are almost the same as described in "3. Summary of Material Accounting Policies", with the exception of the reporting by each operating segment of amounts corresponding to interest on internal loans, as determined in the statement of financial position of each segment.

The inter-segment net sales are calculated based on arm's length transaction prices.

FY2024 (From April 1, 2024 to March 31, 2025)

	Reportable Segments				Other Businesses (Note 1)	Adjustments (Note 2)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales:							
Outside customers	141,140	1,180,248	268,037	1,589,425	3,923	–	1,593,348
Inter-segment	69,576	50,446	28,476	148,498	7,241	(155,739)	–
Total	210,716	1,230,694	296,513	1,737,923	11,164	(155,739)	1,593,348
Segment income (loss) (Profit before tax)	101,836	(7,147)	(54,231)	40,458	(1,221)	(7,854)	31,383
Segment assets	1,511,831	1,032,212	272,920	2,816,963	23,568	228,091	3,068,622
Other items:							
Depreciation and amortization	(25,974)	(27,650)	(10,088)	(63,712)	(607)	(2,755)	(67,074)
Finance income	52,613	2,229	50	54,892	2	1,194	56,088
Finance costs	(12,581)	(11,528)	762	(23,347)	(28)	5,329	(18,046)
Share of profit (loss) of investments accounted for using equity method	2,547	5,784	2,859	11,190	–	(2,485)	8,705
Impairment losses on non-financial assets	–	(55,385)	(57,286)	(112,671)	–	–	(112,671)
Other gain (loss)	6,290	(3,439)	(1,923)	928	(2,784)	2,381	525
Capital expenditures	42,596	23,269	46,744	112,609	1,356	3,413	117,378
Investments accounted for using equity method	299,849	80,151	30,301	410,301	–	127,896	538,197

FY2025 (From April 1, 2025 to March 31, 2026)

	Reportable Segments				Other Businesses (Note 1)	Adjustments (Note 2)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales:							
Outside customers	192,448	1,296,277	249,585	1,738,310	3,276	–	1,741,586
Inter-segment	110,129	53,781	34,924	198,834	7,696	(206,530)	–
Total	302,577	1,350,058	284,509	1,937,144	10,972	(206,530)	1,741,586
Segment income (loss) (Profit before tax)	167,831	91,593	15,290	274,714	(2,132)	(16,902)	255,680
Segment assets	1,540,340	1,285,811	343,290	3,169,441	23,455	366,110	3,559,006
Other items:							
Depreciation and amortization	(29,598)	(20,598)	(6,240)	(56,436)	(651)	(2,755)	(59,842)
Finance income	46,869	3,804	71	50,744	7	4,923	55,674
Finance costs	(19,055)	(11,472)	(598)	(31,125)	(31)	12,840	(18,316)
Share of profit (loss) of investments accounted for using equity method	28,320	10,588	3,896	42,804	–	(2,233)	40,571
Impairment losses on non-financial assets	–	(4,505)	(3,438)	(7,943)	–	–	(7,943)
Other gain (loss)	(3,425)	(1,022)	918	(3,529)	(3,468)	(6,452)	(13,449)
Capital expenditures	62,830	38,202	27,012	128,044	938	8,508	137,490
Investments accounted for using equity method	300,227	86,049	32,787	419,063	–	133,733	552,796

	Reportable Segments				Other Businesses (Note 1)	Adjustments (Note 2)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Net sales:							
Outside customers	1,203,552	8,106,798	1,560,882	10,871,232	20,488	–	10,891,720
Inter-segment	688,737	336,341	218,412	1,243,490	48,130	(1,291,620)	–
Total	1,892,289	8,443,139	1,779,293	12,114,722	68,618	(1,291,620)	10,891,720
Segment income (loss) (Profit before tax)	1,049,600	572,814	95,622	1,718,036	(13,333)	(105,704)	1,598,999
Segment assets	9,633,146	8,041,345	2,146,904	19,821,395	146,685	2,289,619	22,257,699
Other items:							
Depreciation and amortization	(185,103)	(128,818)	(39,024)	(352,946)	(4,071)	(17,230)	(374,246)
Finance income	293,114	23,790	444	317,348	44	30,788	348,180
Finance costs	(119,168)	(71,745)	(3,740)	(194,653)	(194)	80,300	(114,547)
Share of profit (loss) of investments accounted for using equity method	177,111	66,216	24,365	267,692	–	(13,965)	253,727
Impairment losses on non-financial assets	–	(28,174)	(21,501)	(49,675)	–	–	(49,675)
Other gain (loss)	(21,420)	(6,391)	5,741	(22,070)	(21,689)	(40,350)	(84,109)
Capital expenditures	392,933	238,912	168,931	800,775	5,866	53,208	859,850
Investments accounted for using equity method	1,877,592	538,143	205,047	2,620,782	–	836,354	3,457,136

Notes: 1. The Other Businesses segment refers to the operating segments and other income-seeking business activities that are under the control of the Head Office divisions/departments and are engaged in by business segments other than those included in the reportable segments. Other Businesses include real estate and technical engineering businesses.

2. The adjustments are as follows.

1) The adjustments for segment income (loss) are as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Head Office expenses not allocated to each reportable segment *1	(4,618)	(3,734)	(23,352)
Internal interest rate *2	4,332	12,533	78,380
Eliminations of inter-segmental transactions among the reportable segments	(11,817)	(22,540)	(140,963)
Profit or loss not allocated to each reportable segment *3	4,249	(3,161)	(19,769)
Adjustments for segment income	(7,854)	(16,902)	(105,704)

*1 The Head Office expenses not allocated to each reportable segment consist primarily of general and administrative expenses, which are not attributable to the reportable segments.

*2 In order to appropriately assess the performance of each segment, from the first quarter of FY2025, we have changed the method of allocating internal interest, which is not attributable to the reportable segments. As a result, compared with the amounts allocated under the previous method, internal interest allocations in FY2025 were ¥8,407 million (U.S. $52,577 thousand) higher in the Mineral Resources segment, ¥47 million (U.S. $294 thousand) higher in the Smelting & Refining segment, and ¥282 million (U.S. $1,764 thousand) higher in the Materials segment, while the amount allocated to Adjustments was ¥8,292 million (U.S. $51,857 thousand) lower.

*3 Profit or loss not allocated to each reportable segment consists primarily of other profit or loss, which is not attributable to the reportable segments.

2) The adjustments on segment assets are as follows

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Corporate assets not allocated to each reportable segment *1	1,250,605	752,246	4,704,478
Offsets and eliminations of inter-segmental receivables among the reportable segments, including those toward Head Office divisions/departments, etc.	(1,022,514)	(386,136)	(2,414,859)
Adjustments on segment assets	228,091	366,110	2,289,619

*1 The corporate assets not allocated to each reportable segment refer to the assets under the control of the Head Office, which are not attributable to the reportable segments.

3) The adjustments on depreciation and amortization refer to depreciation and amortization at the Head Office divisions/departments, which are not allocated to the reportable segments.

4) The adjustments on finance income and costs consist of interest income and interest expense at the Head Office divisions/departments, which are not allocated to the reportable segments, and eliminations of transactions among the reportable segments.

5) The adjustments on share of profit (loss) of investments accounted for using equity method refer to the deduction of unrealized income relating to the inter-segmental transactions among the reportable segments.

6) The adjustments on other gain (loss) consist of other income and expenses at the Head Office divisions/departments, which are not allocated to the reportable segments, and eliminations of transactions among the reportable segments.

7) The adjustments on capital expenditures refer to an increase thereof at the Head Office divisions/departments, which is not allocated to the reportable segments.

8) The adjustments on investments accounted for using equity method refer to exchange differences on translation of foreign operations.

(3) Information by region

The breakdown of net sales by region is as follows. Net sales are broken down by location of shipping destination.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Domestic	746,520	801,838	5,014,622
United States	255,826	257,308	1,609,181
China	183,453	156,207	976,904
Taiwan	125,854	130,321	815,016
Other	281,695	395,912	2,475,997
Total	1,593,348	1,741,586	10,891,720

The breakdown of non-current assets by region is as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Domestic	197,414	236,519	1,479,168
The Philippines	220,230	231,436	1,447,380
Canada	178,492	173,488	1,084,978
United States	153,684	153,077	957,330
Other	11,286	45,825	286,585
Total	761,106	840,345	5,255,441

Note: Non-current assets are broken down by location of each asset and do not include financial instruments, investments accounted for using equity method, retirement benefit asset and deferred tax assets.

(4) Information about major customers

Net sales to the major external customers are as follows.

	Relevant reportable segment	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Panasonic Holdings Corporation	Materials and Smelting & Refining	260,188	246,922	1,544,228
Sumitomo Electric Industries, Ltd.	Smelting & Refining and Materials	172,588	181,631	1,135,904
TANAKA PRECIOUS METAL TECHNOLOGIES Co., Ltd.	Smelting & Refining	143,562	175,114	1,095,147

7. Changes in Non-controlling Interests

FY2024 (From April 1, 2024 to March 31, 2025)

During FY2024, the Company acquired additional shares of its consolidated subsidiary, Coral Bay Nickel Corporation (“CBNC”). As a result, the Company’s voting rights in CBNC increased from 84% to 100%, making CBNC a wholly owned subsidiary.

The consideration for the acquisition was ¥4,830 million. As a result of the additional acquisition, non-controlling interest decreased by ¥1,756 million, and capital surplus decreased by ¥3,074 million.

FY2025 (From April 1, 2025 to March 31, 2026)

There is no pertinent information.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents			
Cash and deposits	159,712	116,768	730,256
Total	159,712	116,768	730,256

Cash and cash equivalents are classified into financial assets measured at amortized cost.

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Notes receivable – trade	3,761	3,722	23,277
Accounts receivable – trade	184,686	237,936	1,488,030
Accounts receivable – other	7,588	9,706	60,700
Total	196,035	251,364	1,572,008

The above amounts of accounts receivable – trade include trade receivables with embedded derivatives (¥25,387 million as of March 31, 2025, and ¥24,741 million (U.S. $154,728 thousand) as of March 31, 2026). The SMM Group classifies such trade receivables as financial instruments measured at fair value through profit or loss and the others as financial instruments measured at amortized cost.

10. Inventories

The breakdown of inventories is as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods	187,770	204,270	1,277,486
Work in process	184,340	242,000	1,513,446
Raw materials and supplies	195,690	294,204	1,839,925
Total	567,800	740,474	4,630,857

The amounts of inventories recognized as an expense for FY2024 and FY2025 are ¥1,409,710 million and ¥1,446,205 million (U.S. $9,044,434 thousand), respectively.

The amounts of write-down of inventories recognized as an expense for FY2024 and FY2025 are ¥10,665 million and ¥8,709 million (U.S. $54,465 thousand), respectively.

11. Property, Plant and Equipment

(1) Changes in acquisition cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment; and carrying amount thereof are as follows.

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2024	434,003	763,268	17,945	22,641	24,155	229,216	1,491,228
Acquisition (Note 1)	34	385	48	–	4,777	105,858	111,102
Transfer to assets held for sale	(22)	(35)	(13)	–	(40)	(1)	(111)
Transfer	53,228	140,239	3,347	64,711	–	(261,525)	–
Disposal (Note 2)	(14,518)	(20,002)	(1,443)	(8,102)	(3,286)	(8,116)	(55,467)
Exchange differences on translation	7,142	18,204	111	1,580	946	11,920	39,903
Other (Note 3)	(38)	(3,913)	(12)	–	–	(25)	(3,988)
As of March 31, 2025	479,829	898,146	19,983	80,830	26,552	77,327	1,582,667
Acquisition (Note 1)	31	309	139	–	6,919	91,137	98,535
Transfer	20,712	49,587	5,056	1,282	–	(76,637)	–
Disposal (Note 2)	(3,332)	(17,071)	(2,624)	(1,668)	(481)	(410)	(25,586)
Exchange differences on translation	5,893	14,665	106	994	204	3,380	25,242
Other (Note 3)	181	(2,551)	(5)	–	–	–	(2,375)
As of March 31, 2026	503,314	943,085	22,655	81,438	33,194	94,797	1,678,483

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2025	3,000,807	5,616,923	124,972	505,503	166,054	483,596	9,897,855
Acquisition (Note 1)	194	1,932	869	–	43,271	569,962	616,229
Transfer	129,531	310,113	31,620	8,018	–	(479,281)	–
Disposal (Note 2)	(20,838)	(106,760)	(16,410)	(10,432)	(3,008)	(2,564)	(160,013)
Exchange differences on translation	36,854	91,714	663	6,216	1,276	21,138	157,861
Other (Note 3)	1,132	(15,954)	(31)	–	–	–	(14,853)
As of March 31, 2026	3,147,680	5,897,967	141,682	509,306	207,592	592,852	10,497,079

Notes:

1. The amounts of borrowing costs for FY2024 and FY2025 are ¥4,179 million and ¥257 million (U.S. $1,607 thousand), respectively. In order to appropriately assess the performance of each segment, from FY2025 we have changed the method of allocating internal interest, which is not attributable to the reportable segments.
2. Includes decreases from the cancellation of leases.
3. The amounts of "Other" mainly represent a change in estimates of asset retirement obligations resulting from a change of the interest rates and other factors for copper mines overseas as assumptions for their restoration plan.

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2024	(211,820)	(495,163)	(12,068)	(3,651)	(8,811)	(231)	(731,744)
Depreciation (Note 1)	(17,334)	(37,008)	(1,319)	(1,441)	(4,904)	–	(62,006)
Impairment losses	(43,563)	(44,926)	(684)	–	(1,405)	(21,406)	(111,984)
Transfer to assets held for sale	2	4	2	–	5	–	13
Disposal (Note 2)	4,914	3,867	410	261	1,277	–	10,729
Exchange differences on translation	(2,393)	(9,619)	(87)	(466)	(159)	458	(12,266)
Other	–	–	–	–	–	50	50
As of March 31, 2025	(270,194)	(582,845)	(13,746)	(5,297)	(13,997)	(21,129)	(907,208)
Depreciation (Note 1)	(14,677)	(32,801)	(1,282)	(3,539)	(3,196)	–	(55,495)
Impairment losses	(740)	(2,874)	(183)	–	–	(3,297)	(7,094)
Disposal (Note 2)	3,062	16,721	566	3	289	–	20,641
Transfer	(1,997)	(8,534)	(117)	–	–	10,648	–
Exchange differences on translation	(338)	(6,220)	(103)	(130)	(93)	(193)	(7,077)
As of March 31, 2026	(284,884)	(616,553)	(14,865)	(8,963)	(16,997)	(13,971)	(956,233)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2025	(1,689,769)	(3,645,059)	(85,966)	(33,127)	(87,536)	(132,139)	(5,673,596)
Depreciation (Note 1)	(91,789)	(205,134)	(8,018)	(22,133)	(19,987)	–	(347,061)
Impairment losses	(4,628)	(17,974)	(1,144)	–	–	(20,619)	(44,365)
Disposal (Note 2)	19,149	104,572	3,540	19	1,807	–	129,087
Transfer	(12,489)	(53,371)	(732)	–	–	66,592	–
Exchange differences on translation	(2,114)	(38,899)	(644)	(813)	(582)	(1,207)	(44,259)
As of March 31, 2026	(1,781,639)	(3,855,866)	(92,964)	(56,054)	(106,298)	(87,373)	(5,980,194)

Notes:
1. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" of the consolidated statement of profit or loss.
2. Includes decreases from the cancellation of leases.

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2024	222,183	268,105	5,877	18,990	15,344	228,985	759,484
As of March 31, 2025	209,635	315,301	6,237	75,533	12,555	56,198	675,459
As of March 31, 2026	218,430	326,532	7,790	72,475	16,197	80,826	722,250
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2026	1,366,041	2,042,101	48,718	453,252	101,295	505,478	4,516,886

(2) Right-of-use assets

The carrying amounts of right-of-use assets included in property, plant and equipment are as follows.

Right-of-use assets	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2024	4,315	11,026	3	15,344
As of March 31, 2025	3,958	8,594	3	12,555
As of March 31, 2026	3,708	12,487	2	16,197
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2026	23,189	78,093	13	101,295

(3) Impairment losses

For the purpose of determining impairment losses, the grouping of assets is based on the smallest identifiable group of assets that generates largely independent cash inflows.

Impairment losses are included in “cost of sales” of the consolidated statement of profit or loss.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Smelting & Refining	55,367	4,505	28,174
Materials	56,617	2,589	16,191
Total	111,984	7,094	44,365

FY2024 (From April 1, 2024 to March 31, 2025)

The Smelting & Refining segment reported an impairment loss of ¥55,367 million. This is primarily due to the recording of ¥51,207 million in carrying amount of property, plant and equipment as an impairment loss, determined by performing an overall economic assessment and calculation of recoverable value, taking into consideration the slump in nickel and cobalt prices, rising production costs, and changes to future production volumes caused by declines in ore quality for Coral Bay Nickel Corporation, a consolidated subsidiary. The recoverable amount is measured at value in use.

The non-ferrous metals business reported an impairment loss of ¥3,413 million. This is due to writing off the entire carrying amount mainly for property, plant and equipment, given that the testing for the smelting and refining process has ended and the equipment used in the testing has been removed without being reused for other applications. The recoverable amount is measured at value in use.

Furthermore, impairment losses of ¥747 million were recorded for consolidated subsidiaries. This is mainly because the carrying amount of facilities was reduced to the recoverable amount due to the continued drop in profitability since FY2023 for the ferronickel business. The recoverable amount, which is measured at fair value less costs of disposal, is assessed to be ¥1,632 million. The fair value less costs of disposal is mainly assessed based on the real estate appraisal value from a third-party appraiser determined using the market approach, and is classified as Level 3 (fair value that is determined using a valuation technique with unobservable inputs) in the fair value hierarchy.

The Materials segment reported an impairment loss of ¥56,617 million. This is mainly due to impairment loss testing being performed for the battery materials business, for which impairment indicators were recognized for FY2024, and an expected decline in production capacity in conjunction with the replacements of product types that are planned for the future, resulting in the ¥75,888 million carrying amount of property, plant and equipment falling to a recoverable amount of ¥19,271 million. The recoverable amount is measured at fair value less costs of disposal. The fair value less costs of disposal is assessed based on the real estate appraisal value from a third-party appraiser determined using the market approach, etc., and is classified as Level 3 (fair value that is determined using a valuation technique with unobservable inputs) in the fair value hierarchy.

FY2025 (From April 1, 2025 to March 31, 2026)

The Smelting & Refining segment reported an impairment loss of ¥4,505 million (U.S. $28,174 thousand). This is due to the recording of ¥4,505 million (U.S. $28,174 thousand) in carrying amount of property, plant and equipment as an impairment loss, determined by performing an overall economic assessment and calculation of recoverable value, taking into consideration the slump in nickel and cobalt prices, rising production costs, and changes to future production volumes caused by declines in ore quality for Coral Bay Nickel Corporation, a consolidated subsidiary. The recoverable amount is measured at value in use.

The Materials segment reported an impairment loss of ¥2,589 million (U.S. $16,191 thousand). This is mainly due to impairment loss testing being performed for the SiC substrate business, for which impairment indicators were recognized for FY2025, and considering delays in the ramp-up of product demand and a decline in expected sales prices, the ¥16,616 million (U.S. $103,915 thousand) carrying amount of property, plant and equipment was reduced to a recoverable amount of ¥14,990 million (U.S. $93,746 thousand). The recoverable amount is measured at fair value less costs of disposal. The fair value less costs of disposal is assessed based on the real estate appraisal value, etc., from a third-party appraiser determined using primarily the cost approach, and is classified as Level 3 (fair value that is determined using a valuation technique with unobservable inputs) in the fair value hierarchy.

Furthermore, in the battery materials business, although a decrease in production capacity is expected due to a planned future change in product types, management has determined that no impairment indicators exist for property, plant and equipment amounting to ¥27,628 million (U.S. $172,783 thousand) in the business based on its assessment of estimated operating income and net cash flows derived from the business plan.

With regard to the impairment of property, plant and equipment, major assumptions used in assessing and measuring impairment indicators were determined based on best estimates, but they may be affected by the results of changes in uncertain future economic conditions, and if a revision is necessary, it may have a significant impact on the amounts recognized in the consolidated financial statements of the next fiscal year.

(4) Commitments

Commitments to purchase property, plant and equipment as of March 31, 2025 and March 31, 2026 are ¥49,762 million and ¥34,644 million (U.S. $216,660 thousand), respectively.

12. Intangible Assets and Goodwill

The breakdown of the carrying amounts of intangible assets and goodwill is as follows.

Carrying amount	Goodwill	Mining rights	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2024	772	67,002	3,085	1,609	72,468
As of March 31, 2025	772	62,795	4,350	2,517	70,434
As of March 31, 2026	772	93,410	4,219	4,345	102,746
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2026	4,828	584,178	26,385	27,173	642,564

Note: There were no material internally generated intangible assets at each reporting date.

The changes in acquisition cost, accumulated amortization and accumulated impairment losses, and the carrying amount of mining rights, the SMM Group’s major intangible assets, are as follows.

Acquisition cost	Mining rights
	Millions of yen
As of April 1, 2024	86,076
Acquisition	299
Exchange differences on translation	9,358
Decrease due to transfer of interests	(9,256)
As of March 31, 2025	86,477
Acquisition	32,222
Exchange differences on translation	1,892
As of March 31, 2026	120,591

Acquisition cost	Mining rights
	Thousands of U.S. dollars
As of March 31, 2025	540,819
Acquisition	201,513
Exchange differences on translation	11,832
As of March 31, 2026	754,165

Accumulated amortization and accumulated impairment losses	Mining rights
	Millions of yen
As of April 1, 2024	(19,074)
Amortization	(2,579)
Exchange differences on translation	(2,164)
Decrease due to transfer of interests	135
As of March 31, 2025	(23,682)
Amortization	(3,564)
Exchange differences on translation	65
As of March 31, 2026	(27,181)

Accumulated amortization and accumulated impairment losses	Mining rights
	Thousands of U.S. dollars
As of March 31, 2025	(148,105)
Amortization	(22,289)
Exchange differences on translation	407
As of March 31, 2026	(169,987)

Note: Amortization is included in "cost of sales" of the consolidated statement of profit or loss.

The breakdown of carrying amount of the above mining rights is as follows.

Carrying amount	SMM GOLD COTE INC.	SMM Morenci Inc.	SMM PERTH PTY LTD	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2024	35,142	31,605	–	255	67,002
As of March 31, 2025	29,256	33,289	–	250	62,795
As of March 31, 2026	27,288	30,893	34,984	245	93,410
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2026	170,657	193,202	218,787	1,532	584,178

13. Expenditures Concerning Exploration for and Evaluation of Mining Resources

Expenses incurred during the stage of exploration for and evaluation of mining resources are as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Exploration and evaluation expenses	5,755	10,531	65,860
Net cash provided by (used in) operating activities	(5,343)	(10,286)	(64,328)

Exploration and evaluation expenses are included in "selling, general and administrative expenses" of the consolidated statement of profit or loss.

14. Investment Property

(1) Changes in carrying amount of investment properties

All the investment properties held by the SMM Group are land and the fluctuations in the carrying amount are as follows.

Carrying amount	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	3,477	3,477	21,745
Acquisition	–	6	38
Disposal	–	–	–
Transfer between accounts	–	–	–
Exchange differences on translation	–	–	–
Other	–	–	–
Balance at end of period	3,477	3,483	21,782

The grouping of the investment properties is based on the smallest identifiable group of assets that generates largely independent cash inflows.

The carrying amount and fair value of the investment properties are as follows.

Carrying amount and fair value	FY2024 (As of March 31, 2025)		FY2025 (As of March 31, 2026)		FY2025 (As of March 31, 2026)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
	3,477	7,958	3,483	8,051	21,782	50,350

The fair value of the investment properties is based primarily on real estate appraisal evaluated by outside licensed real estate appraisers. The valuations conform to the relevant valuation standards of the countries where the properties are located and are based on market evidence reflecting transaction prices for similar assets.

The fair value of the investment properties is classified as Level 3 (fair value that is determined using a valuation technique with unobservable inputs) in the fair value hierarchy.

(2) Income and expenses arising from investment properties

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	558	558	3,490
Direct operating expenses	257	308	1,926

Lease income and direct operating expenses incurred to earn lease income are included in “net sales” and “cost of sales” of the consolidated statement of profit or loss, respectively.

15. Investments Accounted for Using Equity Method

(1) Investments in associates

1) Significant associates

Associates individually material to the SMM Group are as follows.

Name	Description of main businesses	Location	Voting rights held by the Company FY2024 (As of March 31, 2025)	Voting rights held by the Company FY2025 (As of March 31, 2026)
			%	%
Sociedad Minera Cerro Verde S.A.A.	Development and mining of copper mines	Arequipa, Peru	21.0	21.0
Quebrada Blanca Holdings SpA	Development and mining of copper mines	Santiago, Chile	33.3	33.3

Investments in these associates are accounted for using the equity method. The condensed financial statements, the carrying amounts of the SMM Group's share of equity in these associates, and the SMM Group's share of comprehensive income of these associates under the equity method are as follows.

FY2024 (As of March 31, 2025)

	Sociedad Minera Cerro Verde S.A.A.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen
Current assets	296,664	162,143
Non-current assets	973,983	2,371,624
Total assets	1,270,647	2,533,767
Current liabilities	83,416	140,242
Non-current liabilities	114,425	1,962,965
Total liabilities	197,841	2,103,207
Total equity	1,072,806	430,560
The SMM Group's share of total equity	225,289	143,506
Consolidation adjustment	8,449	(42,537)
Carrying amount of investments	233,738	100,969

FY2025 (As of March 31, 2026)

	Sociedad Minera Cerro Verde S.A.A.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen
Current assets	359,649	191,733
Non-current assets	1,006,016	2,414,997
Total assets	1,365,665	2,606,730
Current liabilities	103,599	155,420
Non-current liabilities	150,544	2,063,936
Total liabilities	254,143	2,219,356
Total equity	1,111,522	387,374
The SMM Group's share of total equity	233,420	129,112
Consolidation adjustment	8,347	(39,752)
Carrying amount of investments	241,767	89,360

	Sociedad Minera Cerro Verde S.A.A.	Quebrada Blanca Holdings SpA
	Thousands of U.S. dollars	Thousands of U.S. dollars
Current assets	2,249,212	1,199,081
Non-current assets	6,291,532	15,103,171
Total assets	8,540,744	16,302,251
Current liabilities	647,899	971,982
Non-current liabilities	941,488	12,907,667
Total liabilities	1,589,387	13,879,650
Total equity	6,951,357	2,422,602
The SMM Group's share of total equity	1,459,787	807,455
Consolidation adjustment	52,201	(248,605)
Carrying amount of investments	1,511,989	558,849

FY2024 (From April 1, 2024 to March 31, 2025)

	Sociedad Minera Cerro Verde S.A.A.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen
Net sales	642,911	260,564
Profit (loss)	144,587	(109,574)
Other comprehensive income	113,900	33,942
Total comprehensive income	258,487	(75,632)
The SMM Group's share:		
Net sales	135,011	86,846
Profit (loss)	28,753	(38,898)
Other comprehensive income	23,919	11,313
Total comprehensive income	52,672	(27,585)
Dividends received by the SMM Group	27,077	–

FY2025 (From April 1, 2025 to March 31, 2026)

	Sociedad Minera Cerro Verde S.A.A.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen
Net sales	707,454	280,158
Profit (loss)	204,550	(80,378)
Other comprehensive income	(9,214)	(4,485)
Total comprehensive income	195,336	(84,863)
The SMM Group's share:		
Net sales	148,565	93,377
Profit (loss)	42,965	(30,312)
Other comprehensive income	(1,935)	(1,495)
Total comprehensive income	41,030	(31,807)
Dividends received by the SMM Group	32,991	–

	Sociedad Minera Cerro Verde S.A.A.	Quebrada Blanca Holdings SpA
	Thousands of U.S. dollars	Thousands of U.S. dollars
Net sales	4,424,353	1,752,083
Profit (loss)	1,279,237	(502,677)
Other comprehensive income	(57,624)	(28,049)
Total comprehensive income	1,221,614	(530,725)
The SMM Group's share:		
Net sales	929,112	583,971
Profit (loss)	268,699	(189,568)
Other comprehensive income	(12,101)	(9,350)
Total comprehensive income	256,598	(198,918)
Dividends received by the SMM Group	206,323	–

2) Associates individually immaterial to the SMM Group

The total carrying amount of investments in associates individually immaterial to the SMM Group are as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	159,067	173,252	1,083,502

The SMM Group's share of total comprehensive income of associates individually immaterial to the SMM Group is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit of the associates	14,857	21,963	137,355
Share of other comprehensive income of the associates	13,258	3,338	20,876
Share of total comprehensive income of the associates	28,115	25,301	158,230

(2) Investments in joint ventures

The total carrying amounts of investments in joint ventures individually immaterial to the SMM Group are as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	44,423	48,417	302,795

The SMM Group's share of total comprehensive income of joint ventures individually immaterial to the SMM Group is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit of the joint ventures	3,993	5,955	37,242
Share of other comprehensive income of the joint ventures	566	338	2,114
Share of total comprehensive income of the joint ventures	4,559	6,293	39,356

16. Other Financial Assets

(1) Breakdown of other financial assets

The breakdown of other financial assets is as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Equity securities	257,733	354,736	2,218,487
Loans receivable	498,234	547,459	3,423,759
Time deposits	61	4,287	26,811
Derivative assets	3,948	14,624	91,457
Financial assets for the contingent consideration	1,839	–	–
Other	2,547	5,520	34,522
Total	764,362	926,626	5,795,034
Current assets	4,305	20,246	126,617
Non-current assets	760,057	906,380	5,668,418
Total	764,362	926,626	5,795,034

Derivative assets and financial assets for the contingent consideration are classified as financial assets measured at fair value through profit or loss; equity securities as financial assets measured at fair value through other comprehensive income; and loans receivable and time deposits as financial assets measured at amortized cost.

(2) Equity financial assets measured at fair value through other comprehensive income

Equity securities are held primarily for the purpose of maintaining and enhancing business relationships, and therefore, designated as financial assets measured at fair value through other comprehensive income.

The fair value of major issues of equity financial assets measured at fair value through other comprehensive income held by the SMM Group as of the fiscal year-end and dividend income from these financial assets are as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
Issue	Millions of yen	Millions of yen	Thousands of U.S. dollars
TOYOTA MOTOR CORPORATION	71,711	86,678	542,076
PT Vale Indonesia Tbk	24,728	60,870	380,675
Teck Resources Limited	36,739	54,622	341,601
Sumitomo Forestry Co., Ltd.	45,587	42,585	266,323
Sumitomo Realty & Development Co., Ltd.	26,164	41,092	256,986
Other	52,804	68,889	430,826
Total	257,733	354,736	2,218,487

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Dividend income from financial assets held by the SMM Group as of the fiscal year-end	6,244	7,523	47,048

(3) Derecognition of financial assets measured at fair value through other comprehensive income

The financial assets measured at fair value through other comprehensive income disposed of during the period are as follows.

FY2024 (From April 1, 2024 to March 31, 2025)			FY2025 (From April 1, 2025 to March 31, 2026)		
Fair value at time of sale	Accumulated gains (losses)	Dividend income	Fair value at time of sale	Accumulated gains (losses)	Dividend income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
21,889	14,591	128	6,937	4,235	128

FY2025 (From April 1, 2025 to March 31, 2026)		
Fair value at time of sale	Accumulated gains (losses)	Dividend income
Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
43,383	26,485	801

These assets were sold primarily due to the reconsideration of business relationships. Accumulated gains net of tax were reclassified from other components of equity into retained earnings at the time of sale. The amounts of such reclassification for FY2024 and FY2025 are ¥8,824 million and ¥3,016 million (U.S. $18,862 thousand), respectively.

Furthermore, for the financial assets measured at fair value through other comprehensive income, those whose fair value declined significantly when compared with their cost, accumulated losses net of tax were reclassified from other components of equity into retained earnings if the decline is deemed other-than-temporary. The amount of such reclassification for FY2024 is ¥(1,712) million. There is no pertinent information for FY2025.

17. Other Assets

The breakdown of other assets is as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current assets			
Bullion in storage	15,447	30,993	193,827
Consumption taxes receivable	11,757	6,773	42,358
Prepaid expenses	3,527	5,044	31,545
Advance payments to suppliers	10,725	3,613	22,595
Income taxes receivable	2,106	389	2,433
Other	4,880	4,947	30,938
Total	48,442	51,759	323,696
Other non-current assets			
Retirement benefit asset	32,680	75,771	473,865
Long-term prepaid expenses	8,937	9,397	58,768
Other	2,799	2,469	15,441
Total	44,416	87,637	548,074

18. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities and the changes therein are as follows.

FY2024 (From April 1, 2024 to March 31, 2025)

	As of April 1, 2024	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2025
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets					
Exploration costs	225	179	–	34	438
Inventories	4,541	383	–	–	4,924
Property, plant and equipment	2,171	18,787	–	–	20,958
Provisions	10,523	1,384	–	–	11,907
Lease liabilities	4,675	(1,111)	–	–	3,564
Retirement benefit asset and liability	–	19	(19)	–	–
Unused tax losses	10	2,040	–	–	2,050
Other	8,389	870	–	(419)	8,840
Total	30,534	22,551	(19)	(385)	52,681
Deferred tax liabilities					
Property, plant and equipment	(18,742)	(1,006)	–	(1,371)	(21,119)
Other financial assets	(72,394)	(109)	23,635	323	(48,545)
Right-of-use assets	(4,404)	(122)	–	–	(4,526)
Retained earnings at subsidiaries and associates	(22,379)	(3,489)	–	(1,589)	(27,457)
Reserves	(27,214)	(627)	–	–	(27,841)
Retirement benefit asset and liability	(9,921)	81	–	–	(9,840)
Other	(2,460)	(609)	–	–	(3,069)
Total	(157,514)	(5,881)	23,635	(2,637)	(142,397)

FY2025 (From April 1, 2025 to March 31, 2026)

	As of April 1, 2025	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2026
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets					
Exploration costs	438	319	–	13	770
Inventories	4,924	4,394	–	–	9,318
Property, plant and equipment	20,958	(2,201)	–	–	18,757
Provisions	11,907	1,082	–	–	12,989
Lease liabilities	3,564	1,711	–	–	5,275
Retirement benefit asset and liability	–	13,519	(13,519)	–	–
Unused tax losses	2,050	14,118	–	–	16,168
Other	8,840	3,231	–	261	12,332
Total	52,681	36,173	(13,519)	274	75,609
Deferred tax liabilities					
Property, plant and equipment	(21,119)	(20,953)	–	165	(41,907)
Other financial assets	(48,545)	423	(29,814)	(191)	(78,127)
Right-of-use assets	(4,526)	66	–	–	(4,460)
Retained earnings at subsidiaries and associates	(27,457)	(6,370)	–	26	(33,801)
Reserves	(27,841)	(262)	–	–	(28,103)
Retirement benefit asset and liability	(9,840)	(13,523)	–	–	(23,363)
Other	(3,069)	(184)	–	–	(3,253)
Total	(142,397)	(40,803)	(29,814)	–	(213,014)

	As of April 1, 2025	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2026
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Deferred tax assets					
Exploration costs	2,739	1,995	–	81	4,816
Inventories	30,794	27,480	–	–	58,274
Property, plant and equipment	131,069	(13,765)	–	–	117,305
Provisions	74,465	6,767	–	–	81,232
Lease liabilities	22,289	10,700	–	–	32,989
Retirement benefit asset and liability	–	84,547	(84,547)	–	–
Unused tax losses	12,821	88,293	–	–	101,113
Other	55,285	20,206	–	1,632	77,123
Total	329,462	226,223	(84,547)	1,714	472,852
Deferred tax liabilities					
Property, plant and equipment	(132,076)	(131,038)	–	1,032	(262,083)
Other financial assets	(303,596)	2,645	(186,454)	(1,194)	(488,599)
Right-of-use assets	(28,305)	413	–	–	(27,892)
Retained earnings at subsidiaries and associates	(171,714)	(39,837)	–	163	(211,388)
Reserves	(174,115)	(1,639)	–	–	(175,754)
Retirement benefit asset and liability	(61,538)	(84,572)	–	–	(146,110)
Other	(19,193)	(1,151)	–	–	(20,344)
Total	(890,538)	(255,178)	(186,454)	–	(1,332,170)

The SMM Group considers the possibility that a portion or all of the deductible temporary differences or unused tax losses can be utilized against future taxable profits upon recognition of deferred tax assets. In assessing the recoverability of deferred tax assets, the SMM Group considers the scheduled reversal of deferred tax liabilities, projected future taxable profits, and tax planning strategies.

Based on the level of historical taxable profits and projected future taxable profits for the periods in which the deferred tax assets can be recognized, the SMM Group has determined that it is probable that the tax benefits can be realized from recognized deferred tax assets. However, the periods in which taxable profits are generated and the amount may be affected by future changes in economic conditions, and the amounts on the consolidated financial statements for the next fiscal year may be affected if it becomes necessary to review the periods and amount.

The unused tax losses and deductible temporary differences for which deferred tax assets were not recognized are as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	28,449	28,002	175,122
Deductible temporary differences	53,222	59,680	373,233
Unused tax credits	–	60	375
Total	81,671	87,742	548,730

The unused tax losses for which deferred tax assets were not recognized will expire as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
1st year	2	2,129	13,315
2nd year	2,054	–	–
3rd year	297	2,264	14,159
4th year	2,621	1,503	9,400
5th year and after	23,475	22,106	138,249
Total	28,449	28,002	175,122

Deferred tax liabilities related to the temporary differences are not recognized in cases where the SMM Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Taxable temporary differences related to investments in consolidated subsidiaries, for which deferred tax liabilities were not recognized, as of March 31, 2025 and March 31, 2026 totaled ¥264,941 million, and ¥275,227 million (U.S. $1,721,245 thousand), respectively.

(2) Income tax expense

The breakdown of income tax expense is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expense	36,276	62,311	389,687
Deferred tax expense			
Origination and reversal of temporary differences	(26,922)	2,567	16,054
Assessed recoverability of deferred tax assets	10,225	2,063	12,902
Changes in tax rates	27	–	–
Total	19,606	66,941	418,643

Current tax expense includes the benefits that arose from previously unrecognized unused tax losses or temporary differences for prior periods. Such benefits helped decrease current tax expense by ¥2,332 million and ¥1,162 million (U.S. $7,267 thousand) for FY2024 and FY2025, respectively.

Deferred tax expense includes the benefits that arose from previously unrecognized unused tax losses or temporary differences for prior periods. Such benefits helped decrease deferred tax expense by ¥1,800 million and ¥0 million (U.S. $0 thousand) for FY2024 and FY2025, respectively.

The following shows the reconciliation of differences between the Japanese statutory tax rates and the average effective tax rates for the SMM Group for FY2024 and FY2025.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)
	%	%
Japanese statutory tax rates	30.6	30.6
Changes in unrecognized deferred tax assets	27.2	0.0
Non-taxable revenues	(3.1)	(1.8)
Differences in applicable tax rates of consolidated subsidiaries	9.8	(1.4)
Changes in tax effects of undistributed profit of subsidiaries and associates	2.2	1.9
Share of profit (loss) of investments accounted for using equity method	(3.8)	(3.6)
Capitalization of borrowing costs	2.7	(0.2)
Tax credit	(2.7)	(0.1)
Other	(0.4)	0.8
Average effective tax rates	62.5	26.2

Effective tax rates represent the rate of income tax on profit before taxes.

The SMM Group is subject to the Japanese corporate tax, inhabitant tax and business tax. The SMM Group's statutory income tax rates calculated based on these taxes for FY2024 and FY2025 are 30.6%. Overseas consolidated subsidiaries, however, are subject to local corporate and other taxes.

(3) Global minimum tax

In Japan, where the Company is located, under the reforms to the Japanese tax system made in 2023, the Income Inclusion Rule (IIR) from the global minimum tax rule of BEPS has been introduced, top-up tax has been imposed on the Company until the tax burdens of its domestic subsidiaries reach the minimum tax rate (15%).

After consulting with external tax experts to review the impacts, the SMM Group does not expect any material exposure to Pillar 2 income taxes as transitional safe harbor measures apply in most of the jurisdictions in which the SMM Group conducts its business activities.

The SMM Group has applied the temporary exception provided for under IAS 12 "Income Taxes", and deferred tax assets or liabilities for income taxes arising from the global minimum tax rule are not recognized and are not included in the disclosed amounts.

19. Trade and Other Payables

The breakdown of trade and other payables is as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts payable – trade	162,829	203,693	1,273,877
Accounts payable – other	65,920	86,400	540,338
Other	17,679	18,398	115,059
Total	246,428	308,491	1,929,275

Trade and other payables are classified as financial liabilities measured at amortized cost.

20. Other Financial Liabilities (Including Bonds and Borrowings)

Breakdown of financial liabilities

The breakdown of "bonds and borrowings" and "other financial liabilities" is as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)		Average interest rate (Note)	Due date
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowings	70,463	133,960	837,774	1.95%	–
Short-term bonds payable	49,922	109,523	684,947	1.25%	–
Current portion of long-term borrowings	72,660	95,141	595,003	3.56%	–
Current portion of bonds payable	–	9,995	62,508	0.09%	–
Long-term borrowings	312,443	260,372	1,628,343	3.13%	From August 31, 2027 to September 28, 2035
Bonds payable	54,815	54,825	342,871	0.60%	From October 14, 2027 to September 4, 2030
Lease liabilities	15,853	19,002	118,837	4.38%	From April 10, 2026 to June 25, 2097
Derivative liabilities	9,670	5,750	35,960	–	–
Other	2,403	2,616	16,360	–	–
Total	588,229	691,184	4,322,602		
Current liabilities	208,277	360,275	2,253,127		
Non-current liabilities	379,952	330,909	2,069,475		
Total	588,229	691,184	4,322,602		

Note: The item "average interest rate" represents the weighted average interest rates for the balances as of the end of FY2025.

Restrictive financial covenants have been attached to some of the SMM Group's borrowings; the covenants require, for example, that the SMM Group maintain a certain level of net assets. No events resulting in a breach of the covenants have occurred during FY2024 and FY2025.

Short-term borrowings, short-term bonds payable, current portion of long-term borrowings, current portion of bonds payable, long-term borrowings, and bonds payable are classified as financial liabilities measured at amortized cost. Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

Terms and conditions for bond issuance are summarized below.

Company name	Issue	Issuance date	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
			Millions of yen	Millions of yen	Thousands of U.S. dollars
Sumitomo Metal Mining Co., Ltd.	Short-term bonds payable	From December 22, 2025 to March 30, 2026	49,922	109,523	684,947
Sumitomo Metal Mining Co., Ltd.	32nd series straight bonds	December 13, 2019	9,967	9,973	62,370
Sumitomo Metal Mining Co., Ltd.	33rd series straight bonds	September 15, 2021	9,984	9,995	62,508
Sumitomo Metal Mining Co., Ltd.	34th series straight bonds	October 14, 2022	14,955	14,970	93,621
Sumitomo Metal Mining Co., Ltd.	35th series straight bonds	July 19, 2023	9,963	9,974	62,376
Sumitomo Metal Mining Co., Ltd.	36th series straight bonds	October 10, 2024	9,946	9,957	62,270
Sumitomo Metal Mining Co., Ltd.	37th series straight bonds	September 4, 2025	–	9,951	62,233
Total			104,737	174,343	1,090,325

Company name	Coupon rate	Collateral	Redemption date
	%		
Sumitomo Metal Mining Co., Ltd.	From 0.87 to 1.50	None	From April 30, 2026 to August 31, 2026
Sumitomo Metal Mining Co., Ltd.	0.25	None	December 13, 2029
Sumitomo Metal Mining Co., Ltd.	0.09	None	September 15, 2026
Sumitomo Metal Mining Co., Ltd.	0.32	None	October 14, 2027
Sumitomo Metal Mining Co., Ltd.	0.39	None	July 19, 2028
Sumitomo Metal Mining Co., Ltd.	0.73	None	October 10, 2029
Sumitomo Metal Mining Co., Ltd.	1.44	None	September 4, 2030
Total			

21. Leases

The SMM Group’s lease assets include buildings and structures; machinery, equipment and vehicles; tools, furniture and fixtures; and land as a lessee. Right-of-use assets are included in “Property, plant and equipment”, and lease liabilities are included in “Other financial liabilities” (current) and “Other financial liabilities” (non-current) in the consolidated statement of financial position. Some contracts include a renewal option. There are no restrictions imposed by lease contracts such as significant renewal or purchase options, or escalation clauses.

(1) Right-of-use assets

The breakdown of the carrying amounts of right-of-use assets as of March 31, 2026 is presented in “Note 11. Property, Plant and Equipment, (2) Right-of-use assets”.

Additions to right-of-use assets are as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	FY2025 (From April 1, 2025 to March 31, 2026)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Right-of-use assets increased	4,777	6,919	43,271

(2) Lease liabilities

The balances of lease liabilities by due date as of March 31, 2026 are as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	FY2025 (As of March 31, 2026)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	3,859	4,086	25,553
Due after one year through five years	8,768	11,840	74,046
Due after five years	3,226	3,076	19,237
Total balance of lease liabilities	15,853	19,002	118,837

(3) Amounts presented in the consolidated statement of profit or loss

The breakdown of items related to leases is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	FY2025 (From April 1, 2025 to March 31, 2026)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Depreciation of right-of-use assets			
Land, buildings and structures	832	730	4,565
Machinery, equipment and vehicles	4,101	2,465	15,416
Tools, furniture and fixtures	–	1	6
Total depreciation	4,933	3,196	19,987
Interest expense related to lease liabilities	437	627	3,921
Lease expenses arising from short-term lease exemptions	761	1,003	6,273
Lease expenses arising from low-value asset exemptions	104	53	331
Total lease expenses	6,235	4,879	30,513

(4) Amount recognized in the consolidated statement of cash flows

The total amount of cash outflows related to leases is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	FY2025 (From April 1, 2025 to March 31, 2026)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of cash outflows related to leases	4,348	5,841	36,529

22. Provisions

The breakdown of provisions and their changes during the period are as follows.

	Provision for decommissioning preparations	Asset retirement obligations	Provision for bonuses	Provision for loss on litigation	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2025	10,503	30,649	3,827	3,140	3,194	51,313
Increases	1,191	568	5,174	624	2,384	9,941
Effect of changes in the discount rate	–	(2,735)	–	–	–	(2,735)
Unwinding of discount	–	691	–	–	–	691
Decreases (utilized)	–	(547)	(3,827)	(826)	(2,015)	(7,215)
Decreases (reversed)	–	(27)	–	–	(797)	(824)
Exchange differences on translation	–	(481)	4	153	18	(306)
As of March 31, 2026	11,694	28,118	5,178	3,091	2,784	50,865
Current liabilities	–	465	3,827	3,140	2,880	10,312
Non-current liabilities	10,503	30,184	–	–	314	41,001
Total (as of March 31, 2025)	10,503	30,649	3,827	3,140	3,194	51,313
Current liabilities	–	–	5,178	3,091	2,313	10,582
Non-current liabilities	11,694	28,118	–	–	471	40,283
Total (as of March 31, 2026)	11,694	28,118	5,178	3,091	2,784	50,865

	Provision for decommissioning preparations	Asset retirement obligations	Provision for bonuses	Provision for loss on litigation	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2025	65,685	191,676	23,934	19,637	19,975	320,907
Increases	7,448	3,552	32,358	3,902	14,909	62,170
Effect of changes in the discount rate	–	(17,104)	–	–	–	(17,104)
Unwinding of discount	–	4,321	–	–	–	4,321
Decreases (utilized)	–	(3,421)	(23,934)	(5,166)	(12,602)	(45,122)
Decreases (reversed)	–	(169)	–	–	(4,984)	(5,153)
Exchange differences on translation	–	(3,008)	25	957	113	(1,914)
As of March 31, 2026	73,133	175,847	32,383	19,331	17,411	318,105
Current liabilities	–	–	32,383	19,331	14,465	66,179
Non-current liabilities	73,133	175,847	–	–	2,946	251,926
Total (as of March 31, 2026)	73,133	175,847	32,383	19,331	17,411	318,105

(1) Provision for decommissioning preparations

JCO Co., Ltd., a domestic consolidated subsidiary of the Company, is advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. As certain losses are anticipated to be incurred depending on the conditions of dismantlement and decontamination of its facilities in the future, the Company will post a provision for decommissioning preparations for losses that can be reasonably estimated.

An outflow of economic benefits is expected to take place mostly after one year from the end of the fiscal year, which, however, can vary depending on future business plans and other factors.

(2) Asset retirement obligations

The amount of asset retirement obligations is the reasonable estimate of the expenses required for the Company under the business plan and its consolidated subsidiaries to fulfill their obligations under individual leasing contracts and restoration obligations under mining laws and regulations of each jurisdiction. Furthermore, for the SMM Group’s business establishments, subsidiaries and associates in Japan, the amount of asset retirement obligations is based on the reasonable estimate of retirement, research and other expenses required to fulfill their obligations, for example to retire assets and conduct environmental researches in a special manner provided by asbestos related laws and regulations (such as the Ordinance on Prevention of Asbestos Hazards) and dioxins related laws and regulations (such as the Ordinance on Industrial Safety and Health).

An outflow of economic benefits is expected to take place mostly after one year from the end of the fiscal year, which, however, can vary depending on future business plans and other factors.

(3) Provision for bonuses

Regarding payment of bonuses to employees and executive officers, the amount that is expected to be paid is calculated and stated at that amount.

An outflow of economic benefits is expected to take place within a year from the end of fiscal year.

(4) Provision for loss on litigation

To settle the probable losses on litigation, possible losses to be incurred in the future are estimated, and the necessary amount is recorded.

An outflow of economic benefits is expected to take place within a year from the end of fiscal year.

23. Employee Benefits

The SMM Group has adopted both funded and unfunded defined benefit plans and defined contribution plans as retirement benefits for its employees, which cover substantially all of the employees. Although the SMM Group’s defined benefit plans are exposed to the following risks, we believe that none of these risks are material.

(i) Investment risk

The present value of the defined benefit obligations is calculated based on a discount rate that is determined by reference to market yields on high quality corporate bonds at the fiscal year-end. In the event the investment yields for plan assets fall below the discount rate, worsened funded status may lead to a reduction in equity.

(ii) Interest rate risk

In case the discount rate is lowered due to a decline in market yields on high quality corporate bonds, the present value of the defined benefit obligations increases, and as a result, worsened funded status may lead to a reduction in equity.

(iii) Inflation risk

Some of the SMM Group’s defined benefit plan is linked to inflation. In case the inflation rate keeps rising, the present value of the defined benefit obligations increases, and as a result, worsened funded status may lead to a reduction in equity.

(iv) Longevity risk

If the average life expectancy of the participants in the plans rises, the present value of the defined benefit obligations increases, and as a result, worsened funded status may lead to a reduction in equity.

The funded defined benefit plans are run by pension funds legally isolated from the SMM Group. Institutions undertaking the investment of pension funds are required by laws and regulations to act in the best interest of participants in the pension plans, and are responsible for managing the plan assets in accordance with established policies.

The present value of defined benefit obligation and the related current and past service cost are calculated by using the projected unit credit method.

The discount rate is determined by reference to market yields on high quality corporate bonds as of the fiscal year-end, corresponding to the discount period, which is set based on the period up to the expected benefit payment date for each fiscal year in the future.

Liability or asset associated with a defined benefit plan is calculated by subtracting the fair value of the plan assets from the present value of defined benefit obligation.

Remeasurements of the defined benefit plans is recognized in full as other comprehensive income when such remeasurements occur, and transferred immediately from other components of equity to retained earnings.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits are vested. In the event the benefits are already vested immediately after introduction of or amendment to the defined benefit plan, past service cost is recognized as profit or loss for the period when they occur.

Retirement benefit expenses associated with the defined contribution plans are recognized when the contribution is made.

(1) Retirement benefits

1) Defined benefit plan

(i) Reconciliation of defined benefit obligations and plan assets

The relation between defined benefit obligations and plan assets and net defined benefit liability (asset) on the consolidated statement of financial position is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
Present value of funded defined benefit obligations	52,946	48,584	303,840
Fair value of plan assets	(99,934)	(145,665)	(910,976)
Effect of asset ceiling	14,411	21,384	133,734
Subtotal	(32,577)	(75,697)	(473,402)
Present value of unfunded defined benefit obligations	3,443	5,338	33,383
Net defined benefit liability (asset)	(29,134)	(70,359)	(440,019)
Amounts on the consolidated statement of financial position			
Retirement benefit liability	3,546	5,412	33,846
Retirement benefit asset (Note)	(32,680)	(75,771)	(473,865)
Net liability (asset) on the consolidated statement of financial position	(29,134)	(70,359)	(440,019)

Note: Retirement benefit asset is included in "other non-current assets" on the consolidated statement of financial position.

(ii) Reconciliation of present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
Defined benefit obligation at beginning of period	63,524	56,389	352,652
Service cost	1,843	1,686	10,544
Interest expenses	974	1,293	8,086
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(3,378)	(3,479)	(21,757)
Actuarial gains and losses arising from changes in financial assumptions	(548)	(793)	(4,959)
Past service cost	–	836	5,228
Benefits paid	(1,903)	(2,090)	(13,071)
Exchange differences on translation	45	108	675
Decrease due to sale of subsidiaries	(3,872)	–	–
Other	(296)	(28)	(175)
Defined benefit obligation at end of period	56,389	53,922	337,223

The weighted-average duration of the defined benefit obligations was 14 years and 14 years for FY2024 and FY2025, respectively.

(iii) Reconciliation of fair value of plan assets

Changes in the fair value of the plan assets are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
Fair value of the plan assets at beginning of period	103,189	99,934	624,978
Interest revenue	809	1,171	7,323
Remeasurements			
Return on plan assets	338	44,906	280,838
Contribution to the plan			
Contribution from employers	581	590	3,690
Contribution from participants in the plan	81	83	519
Benefits paid	(1,367)	(1,384)	(8,655)
Decrease due to sale of subsidiaries	(3,853)	–	–
Other	156	365	2,283
Fair value of the plan assets at end of period	99,934	145,665	910,976

The SMM Group plans to make contributions of ¥590 million (U.S. $3,690 thousand) in the next fiscal year (ending March 31, 2027).

(iv) Breakdown of plan assets by item

Major components of the plan assets are as follows.

Breakdown of fair value by asset class

(Millions of yen)

	FY2024 (As of March 31, 2025)			FY2025 (As of March 31, 2026)		
	With quoted prices in active markets	With no quoted prices in active markets	Total	With quoted prices in active markets	With no quoted prices in active markets	Total
Japanese equity securities	40,699	–	40,699	73,944	–	73,944
Foreign equity securities	10,741	–	10,741	12,390	–	12,390
Japanese debt securities	12,909	5,549	18,458	14,884	7,243	22,127
Foreign debt securities	14,670	2,577	17,247	15,017	2,589	17,606
General accounts of insurance companies	–	1,337	1,337	–	1,369	1,369
Other	7,256	4,196	11,452	14,033	4,196	18,229
Total plan assets	86,275	13,659	99,934	130,268	15,397	145,665

(Thousands of U.S. dollars)

	FY2025 (As of March 31, 2026)		
	With quoted prices in active markets	With no quoted prices in active markets	Total
Japanese equity securities	462,439	–	462,439
Foreign equity securities	77,486	–	77,486
Japanese debt securities	93,083	45,297	138,380
Foreign debt securities	93,915	16,191	110,106
General accounts of insurance companies	–	8,562	8,562
Other	87,761	26,241	114,003
Total plan assets	814,684	96,291	910,976

The SMM Group's policy for managing plan assets is to secure stable returns over the medium to long term so that it can ensure the payment of defined benefit obligations in the future, in accordance with company regulations. More specifically, the SMM Group sets a target return and defines asset allocation within the range of tolerable risk defined annually, and seeks to maintain such target return and asset allocation in managing the plan assets. Each time the SMM Group reviews the asset allocation, it examines whether it should introduce the type of plan assets linked closely to changes in defined benefit obligations.

Also, based on the Defined Benefit Corporate Pension Act, the SMM Group regularly reviews the amount of contributions. Specifically, the SMM Group recalculates the amount of contributions every five years to maintain a well-balanced financial position.

In addition, the SMM Group has adopted an investment policy to minimize any mismatch between assets and liabilities so that it can secure stable investment returns over the medium to long term. Specifically, the SMM Group has invested primarily in low-risk long-term debt securities to suppress fluctuations in investment returns and stabilize funding ratios.

(v) Effect of asset ceiling

Changes in the effect of the asset ceiling are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
Balance at beginning of period	9,899	14,411	90,125
Remeasurements Effect of limiting the amount of net plan assets to the amount of asset ceiling	4,512	6,973	43,609
Balance at end of period	14,411	21,384	133,734

(vi) Major actuarial assumptions

Major assumptions used for the actuarial calculation are as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)
Discount rate	2.30%	3.30%

(vii) Sensitivity analysis

The impact of 0.5% changes in the discount rates used for actuarial calculations on the present value of the defined benefit obligations is as follows. Although the analysis assumes that all the other variables remain constant, changes in other assumptions may actually affect the results of the sensitivity analysis.

		(Millions of yen)		(Thousands of U.S. dollars)
		FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
Discount rate	0.5% increase	(2,738)	(2,301)	(14,390)
	0.5% decrease	3,009	2,510	15,697

2) Defined contribution plan

The amounts recognized as expenses associated with a defined contribution plan are ¥4,133 million and ¥4,400 million (U.S. $27,517 thousand) for FY2024 and FY2025, respectively. Furthermore, the above amount includes the portion of employees' pension insurance premiums borne by the employer.

24. Other Liabilities

The breakdown of other liabilities is as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current liabilities			
Borrowed bullion	15,447	30,993	193,827
Deposits received	727	714	4,465
Accrued consumption taxes	833	168	1,051
Other	2,669	1,974	12,345
Total	19,676	33,849	211,689
Other non-current liabilities			
Other	1,098	2,519	15,754
Total	1,098	2,519	15,754

25. Equity and Other Components of Equity

(1) Share capital and capital surplus

Changes in the numbers of authorized shares and issued shares are as follows.

	Number of authorized shares	Number of issued shares
	Shares	Shares
The beginning of FY2024 (As of April 1, 2024)	500,000,000	290,814,015
Increase (decrease) during the period	–	–
FY2024 (As of March 31, 2025)	500,000,000	290,814,015
Increase (decrease) during the period	–	–
FY2025 (As of March 31, 2026)	500,000,000	290,814,015

Note: The shares issued by the Company are ordinary shares with no par value that have no restrictions on any rights. The issued shares have been fully paid up.

(2) Treasury shares

Changes in the number of treasury shares are as follows.

	Number of shares	Amount
	Shares	Millions of yen
The beginning of FY2024 (As of April 1, 2024)	16,054,245	38,099
Increase (decrease) during the period (Note 1)	(260,569)	(610)
FY2024 (As of March 31, 2025)	15,793,676	37,489
Increase (decrease) during the period (Note 2)	4,470,606	15,025
FY2025 (As of March 31, 2026)	20,264,282	52,514

	Amount
	Thousands of U.S. dollars
FY2024 (As of March 31, 2025)	234,453
Increase (decrease) during the period (Note 2)	93,965
FY2025 (As of March 31, 2026)	328,418

Notes: 1. The number of treasury shares increased by 4,572 shares during the period. The increase is attributable to the disposal for share granting through the Employee Stock Ownership Association and the purchase of fractional shares.

The number of treasury shares decreased by 265,141 shares during the period. The decrease is attributable to sale of fractional shares to meet the demand for sale of shares less than one unit.

2. The number of treasury shares increased by 4,470,759 shares during the period. The increase is attributable to market purchases based on the discretionary dealing contract and the purchase of fractional shares.

The number of treasury shares decreased by 153 shares during the period. The decrease is attributable to sale of fractional shares to meet the demand for sale of shares less than one unit.

(3) Capital surplus

The Companies Act of Japan (hereinafter the "Companies Act") provides that at least half the amount of money paid in for issuance of shares or the amount of properties other than money delivered be credited to the share capital, and the remainder be credited to legal capital reserve, which is part of capital surplus. The Companies Act also provides that legal capital reserve may be credited to share capital pursuant to a resolution at the general meeting of shareholders.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus be transferred to legal capital reserve and legal retained earnings until the aggregate amount of legal capital reserve and legal retained earnings equals 25% of share capital. The amount accumulated in legal retained earnings may be used to offset deficit. Further, the Companies Act provides that legal retained earnings may be reversed pursuant to a resolution at the general meeting of shareholders.

26. Dividends

(1) Dividends paid

FY2024 (From April 1, 2024 to March 31, 2025)

Date of resolution	Total dividend amount	Dividend per share	Record date	Effective date
	Millions of yen	Yen		
Ordinary General Meeting of Shareholders held on June 26, 2024	17,310	63	March 31, 2024	June 27, 2024
Board of Directors meeting held on November 12, 2024	13,463	49	September 30, 2024	December 9, 2024

FY2025 (From April 1, 2025 to March 31, 2026)

Date of resolution	Total dividend amount		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary General Meeting of Shareholders held on June 26, 2025	15,126	94,597	55	0.34	March 31, 2025	June 27, 2025
Board of Directors meeting held on November 10, 2025	17,586	109,981	65	0.41	September 30, 2025	December 8, 2025

(2) Dividends with effective date falling in the following fiscal year are as follows.

FY2024 (From April 1, 2024 to March 31, 2025)

Date of resolution	Total dividend amount	Dividend per share	Record date	Effective date
	Millions of yen	Yen		
Ordinary General Meeting of Shareholders on June 26, 2025	15,126	55	March 31, 2025	June 27, 2025

FY2025 (From April 1, 2025 to March 31, 2026)

Date of resolution	Total dividend amount		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary General Meeting of Shareholders on June 25, 2026	44,100	275,797	163	1.02	March 31, 2026	June 26, 2026

* The above is to be submitted as a proposal at the Ordinary General Meeting of Shareholders to be held on June 25, 2026.

27. Net Sales

(1) Disaggregation of revenue and relationship with each reportable segment

In addition to the discontinuation of the "Package materials" category following organizational changes made during FY2025, a new "Device materials" category was established, leading to changes in some of the previous business aggregation categories. As a result of the above, the figures for FY2024 have also been restated to reflect the change.

FY2024 (From April 1, 2024 to March 31, 2025)

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Major products/services						
Ore	210,716	–	–	210,716	–	210,716
Metals						
Copper and precious metals	–	985,588	–	985,588	–	985,588
Nickel	–	237,512	–	237,512	–	237,512
Zinc and lead	–	6,048	–	6,048	–	6,048
Materials						
Powder materials	–	–	41,702	41,702	–	41,702
Battery materials	–	–	180,341	180,341	–	180,341
Device materials	–	–	32,180	32,180	–	32,180
Other	–	1,546	42,290	43,836	11,164	55,000
Subtotal	210,716	1,230,694	296,513	1,737,923	11,164	1,749,087
Adjustments	(69,576)	(50,446)	(28,476)	(148,498)	(7,241)	(155,739)
Outside customers	141,140	1,180,248	268,037	1,589,425	3,923	1,593,348

FY2025 (From April 1, 2025 to March 31, 2026)

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Major products/services						
Ore	302,577	–	–	302,577	–	302,577
Metals						
Copper and precious metals	–	1,094,680	–	1,094,680	–	1,094,680
Nickel	–	247,117	–	247,117	–	247,117
Zinc and lead	–	6,076	–	6,076	–	6,076
Materials						
Powder materials	–	–	48,423	48,423	–	48,423
Battery materials	–	–	160,733	160,733	–	160,733
Device materials	–	–	33,339	33,339	–	33,339
Other	–	2,185	42,014	44,199	10,972	55,171
Subtotal	302,577	1,350,058	284,509	1,937,144	10,972	1,948,116
Adjustments	(110,129)	(53,781)	(34,924)	(198,834)	(7,696)	(206,530)
Outside customers	192,448	1,296,277	249,585	1,738,310	3,276	1,741,586

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Major products/services						
Ore	1,892,289	–	–	1,892,289	–	1,892,289
Metals						
Copper and precious metals	–	6,846,029	–	6,846,029	–	6,846,029
Nickel	–	1,545,447	–	1,545,447	–	1,545,447
Zinc and lead	–	37,999	–	37,999	–	37,999
Materials						
Powder materials	–	–	302,833	302,833	–	302,833
Battery materials	–	–	1,005,210	1,005,210	–	1,005,210
Device materials	–	–	208,499	208,499	–	208,499
Other	–	13,665	262,752	276,417	68,618	345,034
Subtotal	1,892,289	8,443,139	1,779,293	12,114,722	68,618	12,183,340
Adjustments	(688,737)	(336,341)	(218,412)	(1,243,490)	(48,130)	(1,291,620)
Outside customers	1,203,552	8,106,798	1,560,882	10,871,232	20,488	10,891,720

1) Mineral Resources

In the Mineral Resources business, the SMM Group mainly engages in sales of gold and silver ores, copper concentrates and copper produced by the SX-EW method. Revenues from sales of these products are in principle measured at the transaction price in contracts with customers, and recognized at the time of delivery of the goods because the performance obligations are satisfied when control over the goods is transferred to the customers. The contracts do not contain any significant financing components as the considerations for the transactions are received within one year after the performance obligations are satisfied.

2) Smelting & Refining

In the Smelting & Refining business, the SMM Group mainly engages in sales of copper, nickel, ferronickel, zinc, etc., as well as sales of precious metals such as gold, silver, platinum and palladium. Revenues from sales of these products are in principle measured at the transaction price in contracts with customers, and recognized at the time of delivery of the goods because the performance obligations are satisfied when control over the goods is transferred to the customers. The contracts do not contain any significant financing components as the considerations for the transactions are received within one year after the performance obligations are satisfied.

3) Materials

In the Materials business, the SMM Group mainly engages in sales of battery materials, powder materials, crystal materials and tape materials. Revenues from sales of these products are in principle measured at the transaction price in contracts with customers, and recognized at the time of delivery of the goods because the performance obligations are satisfied when control over the goods is transferred to the customers. Revenues from sale of products using non-free supplied materials over which it was determined that the SMM Group had not obtained control are measured at the amount calculated by deducting the amount relating to the non-free supplied materials from the transaction price under the agreement with the customer. The contracts do not contain any significant financing components as the considerations for the transactions are received within one year after the performance obligations are satisfied.

(2) Contract balances

Contract balances consist primarily of receivables (notes and accounts receivable-trade) arising from contracts with customers. The balances are presented in “Note 9. Trade and Other Receivables”.

(3) Transaction price allocated to the remaining performance obligations

There are no significant transactions with the individual contract period exceeding one year. The SMM Group has applied the practical expedient provided in paragraph 121 of IFRS 15 “Revenue from Contracts with Customers” and omitted disclosure of the information about the remaining performance obligations with an individual expected contract period of one year or less.
There are no significant considerations from contracts with customers that were not included in the transaction price.

(4) Assets recognized from the costs to obtain or fulfill a contract with a customer

There are no incremental costs to obtain a contract and significant costs to fulfill a contract with a customer that the SMM Group shall recognize as an asset.

28. Breakdown of Expenses by Nature

The breakdown of cost of sales and selling, general and administrative expenses is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Material cost and cost of merchandise sold	1,218,512	1,237,886	7,741,626
Personnel expenses	81,589	90,163	563,871
Depreciation	59,525	55,665	348,124
Subcontract expenses	28,800	40,049	250,463
Repair expenses	31,001	32,968	206,179
Logistics costs (Note)	18,787	20,529	128,386
Research and development expenses	10,438	9,050	56,598
Impairment losses	112,671	7,943	49,675
Other	47,914	56,132	351,044
Total	1,609,237	1,550,385	9,695,966

Note: From FY2025, logistics costs, which were included in other in FY2024, have been presented separately due to their increasing materiality. As a result, the breakdown of expenses by nature has been restated for FY2024.

29. Finance Income and Costs

(1) Finance income

The breakdown of finance income is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	44,462	44,194	276,385
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	6,372	7,651	47,849
Foreign exchange gains	267	3,825	23,921
Gain on valuation of derivatives			
Financial assets measured at fair value through profit or loss	2,817	–	–
Change in fair value of contingent considerations			
Financial assets measured at fair value through profit or loss	96	–	–
Other	2,074	4	25
Total	56,088	55,674	348,180

(2) Finance costs

The breakdown of finance costs is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expense			
Financial liabilities measured at amortized cost	12,983	15,463	96,704
Lease liabilities	178	627	3,921
Loss on valuation of derivatives			
Financial assets measured at fair value through profit or loss	–	1,024	6,404
Other	4,885	1,202	7,517
Total	18,046	18,316	114,547

30. Other Income and Expenses

(1) The breakdown of other income is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Government grant income (Note 1)	33	1,400	8,755
Gain on sale of fixed assets	233	493	3,083
Gain on transfer of interests from exercise of option (Note 2)	6,693	–	–
Foreign exchange gains	3,957	–	–
Other	2,737	2,678	16,748
Total	13,653	4,571	28,587

Notes:
1. From FY2025, government grant income has been presented separately due to its increasing materiality.
2. In FY2024, IAMGOLD Corporation, which is jointly operating the Cote Gold Mine in Canada with a Company's consolidated subsidiary, SMM Gold Cote Inc., exercised the option to repurchase its interest in the mine. Accordingly, gain on transfer of interest of ¥6,693 million is recorded.

(2) The breakdown of other expenses is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Foreign exchange losses	–	6,035	37,742
Dismantling and removal expenses	3,165	2,806	17,548
Loss on sale and retirement of fixed assets	839	1,357	8,487
Maintenance expense of suspended or abandoned mines	615	1,341	8,386
Provision for decommissioning preparations	504	1,191	7,448
Provision for loss on litigation	887	778	4,866
Suspended business management expense	718	667	4,171
Provision for dismantling and removal	1,234	6	38
Loss on sale of subsidiaries (Note)	1,417	–	–
Other	3,749	3,840	24,015
Total	13,128	18,021	112,702

Note: During FY2024, the transfer of the entire equity interest in Sumitomo Metal Mining Siporex Co., Ltd., which was a consolidated subsidiary of the Company, resulted in the recording of ¥1,417 million in loss on sale of subsidiaries.

31. Other Comprehensive Income

The following table shows the analysis of other comprehensive income by item in terms of the amount that occurred during the period, the amount reclassified to profit or loss, and the effect of income taxes.

FY2024 (From April 1, 2024 to March 31, 2025)

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Items that will not be reclassified to profit or loss:					
Financial assets measured at fair value through other comprehensive income	(67,101)	–	(67,101)	17,953	(49,148)
Remeasurements of defined benefit plans	(248)	–	(248)	(19)	(267)
Share of other comprehensive income of investments accounted for using equity method	403	–	403	–	403
Total of items that will not be reclassified to profit or loss	(66,946)	–	(66,946)	17,934	(49,012)
Items that will be reclassified to profit or loss:					
Cash flow hedges	(14,943)	10,975	(3,968)	1,214	(2,754)
Exchange differences on translation of foreign operations	96,976	–	96,976	–	96,976
Share of other comprehensive income of investments accounted for using equity method	48,653	–	48,653	–	48,653
Total of items that will be reclassified to profit or loss	130,686	10,975	141,661	1,214	142,875
Total	63,740	10,975	74,715	19,148	93,863

FY2025 (From April 1, 2025 to March 31, 2026)

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Items that will not be reclassified to profit or loss:					
Financial assets measured at fair value through other comprehensive income	103,106	–	103,106	(28,763)	74,343
Remeasurements of defined benefit plans	42,205	–	42,205	(13,519)	28,686
Share of other comprehensive income of investments accounted for using equity method	326	–	326	–	326
Total of items that will not be reclassified to profit or loss	145,637	–	145,637	(42,282)	103,355
Items that will be reclassified to profit or loss:					
Cash flow hedges	(32,271)	39,707	7,436	(2,348)	5,088
Exchange differences on translation of foreign operations	(7,939)	117	(7,822)	–	(7,822)
Share of other comprehensive income of investments accounted for using equity method	(80)	–	(80)	–	(80)
Total of items that will be reclassified to profit or loss	(40,290)	39,824	(466)	(2,348)	(2,814)
Total	105,347	39,824	145,171	(44,630)	100,541

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Items that will not be reclassified to profit or loss:					
Financial assets measured at fair value through other comprehensive income	644,816	–	644,816	(179,881)	464,934
Remeasurements of defined benefit plans	263,946	–	263,946	(84,547)	179,400
Share of other comprehensive income of investments accounted for using equity method	2,039	–	2,039	–	2,039
Total of items that will not be reclassified to profit or loss	910,801	–	910,801	(264,428)	646,373
Items that will be reclassified to profit or loss:					
Cash flow hedges	(201,820)	248,324	46,504	(14,684)	31,820
Exchange differences on translation of foreign operations	(49,650)	732	(48,918)	–	(48,918)
Share of other comprehensive income of investments accounted for using equity method	(500)	–	(500)	–	(500)
Total of items that will be reclassified to profit or loss	(251,970)	249,056	(2,914)	(14,684)	(17,598)
Total	658,831	249,056	907,886	(279,112)	628,774

32. Earnings per Share

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)
Profit attributable to owners of parent (Millions of yen)	16,487	176,290
Adjustment of profit attributable to owners of parent (Millions of yen)	–	–
Profit used to calculate diluted earnings per share (Millions of yen)	16,487	176,290
Weighted average number of ordinary shares outstanding (Thousands of shares)	274,845	271,404
Increase in ordinary shares (Thousands of shares)	–	6
Weighted average number of diluted ordinary shares (Thousands of shares)	274,845	271,410
Basic earnings per share (Yen)	59.99	649.55
Diluted earnings per share (Yen)	59.99	649.53

	FY2025 (From April 1, 2025 to March 31, 2026)
Profit attributable to owners of parent (Thousands of U.S. dollars)	1,102,502
Adjustment of profit attributable to owners of parent (Thousands of U.S. dollars)	–
Profit used to calculate diluted earnings per share (Thousands of U.S. dollars)	1,102,502
Basic earnings per share (U.S. dollars)	4.06
Diluted earnings per share (U.S. dollars)	4.06

33. Cash Flow Information

(1) Cash inflows and outflows for acquisition or sale of subsidiaries, etc.

FY2024 (From April 1, 2024 to March 31, 2025)

In FY2024, the Company transferred all of its shares in Sumitomo Metal Mining Siporex Co., Ltd., which had been a consolidated subsidiary. The breakdown of the assets and liabilities at the time of the transfer as well as considerations received and proceeds from the transfer of the shares are as follows.

(Millions of yen)

	FY2024 (From April 1, 2024 to March 31, 2025)
Breakdown of assets at time of loss of control	
Current assets	8,906
Non-current assets	1,529
Breakdown of liabilities at time of loss of control	
Current liabilities	2,736
Non-current liabilities	1,646

(Millions of yen)

	FY2024 (From April 1, 2024 to March 31, 2025)
Consideration received	1,000
Cash and cash equivalents included in assets at time of loss of control	(1,465)
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	(465)

In FY2024, IAMGOLD Corporation (Canada), which is jointly operating the Cote Gold Mine in Canada with a Company's consolidated subsidiary, SMM Gold Cote Inc. (Canada), exercised the option to repurchase its interest in the mine. The breakdown of the assets and liabilities at the time of the transfer as well as considerations received and proceeds from the transfer are as follows.

(Millions of yen)

	FY2024 (From April 1, 2024 to March 31, 2025)
Breakdown of assets at time of transfer of interests	
Current assets	3,797
Non-current assets	62,497
Breakdown of liabilities at time of transfer of interests	
Current liabilities	2,086
Non-current liabilities	11,451

(Millions of yen)

	FY2024 (From April 1, 2024 to March 31, 2025)
Consideration received	57,294
Cash and cash equivalents included in assets at time of transfer of interests	(904)
Proceeds from transfer of interests	56,390

FY2025 (From April 1, 2025 to March 31, 2026)

The breakdown of assets and liabilities obtained from the acquisition of interests in the Winu Copper-Gold Project by consolidated subsidiary SMM PERTH PTY LTD, and the relation between the price of the acquisition of interests and expenditure for the acquisition of interests are as follows.

	(Millions of yen)	(Thousands of U.S. dollars)
	FY2025 (From April 1, 2025 to March 31, 2026)	
Breakdown of assets at time of acquisition of interests		
Current assets	5	31
Non-current assets	33,650	210,444
Breakdown of liabilities at time of acquisition of interests		
Current liabilities	–	–
Non-current liabilities	258	1,614

	(Millions of yen)	(Thousands of U.S. dollars)
	FY2025 (From April 1, 2025 to March 31, 2026)	
Consideration paid	(33,398)	(208,868)
Cash and cash equivalents	–	–
Expenditure for acquisition of interests	(33,398)	(208,868)

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows.

FY2024 (From April 1, 2024 to March 31, 2025)

	As of April 1, 2024	Changes with cash flows	Changes without cash flows				As of March 31, 2025
			Exchange differences on translation of foreign operations	Changes under amortized cost method	Decrease due to transfer of interests	Other (Note)	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	51,839	19,169	(545)	–	–	–	70,463
Long-term borrowings	408,644	(27,518)	3,849	128	–	–	385,103
Bonds payable	69,806	34,929	–	2	–	–	104,737
Lease liabilities	16,228	(3,305)	817	–	(2,282)	4,395	15,853
Total	546,517	23,275	4,121	130	(2,282)	4,395	576,156

(Note) Mainly an increase in lease liabilities associated with new lease contracts.

FY2025 (From April 1, 2025 to March 31, 2026)

	As of April 1, 2025	Changes with cash flows	Changes without cash flows				As of March 31, 2026
			Exchange differences on translation of foreign operations	Changes under amortized cost method	Decrease due to transfer of interests	Other (Note)	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	70,463	60,997	2,500	–	–	–	133,960
Long-term borrowings	385,103	(42,988)	13,351	47	–	–	355,513
Bonds payable	104,737	69,601	–	5	–	–	174,343
Lease liabilities	15,853	(4,158)	128	–	–	7,179	19,002
Total	576,156	83,452	15,979	52	–	7,179	682,818

	As of April 1, 2025	Changes with cash flows	Changes without cash flows				As of March 31, 2026
			Exchange differences on translation of foreign operations	Changes under amortized cost method	Decrease due to transfer of interests	Other (Note)	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Short-term borrowings	440,669	381,470	15,635	–	–	–	837,774
Long-term borrowings	2,408,399	(268,843)	83,496	294	–	–	2,223,346
Bonds payable	655,016	435,278	–	31	–	–	1,090,325
Lease liabilities	99,143	(26,004)	801	–	–	44,897	118,837
Total	3,603,227	521,901	99,931	325	–	44,897	4,270,281

(Note) Mainly an increase in lease liabilities associated with new lease contracts.

(3) Non-cash transactions

Significant non-cash transactions are as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Decrease in property, plant and equipment due to recognition of asset retirement obligations (Note)	(5,645)	(2,194)	(13,721)
Acquisition of right-of-use assets	4,777	6,919	43,271

(Note) This includes the amount of fluctuation from changes in the discount rate and other matters.

34. Share-Based Payment

Restricted share-based compensation plan

(1) Details of the plan

The Company has introduced a restricted share-based compensation plan for Directors (excluding a Chairman and Director without representative rights, and Outside Directors), Executive Officers and any equivalent officers and employees (hereinafter, “Eligible Directors, etc.”). Under the Plan, each fiscal year is treated as a target period, and a payment equivalent amount is calculated based on a certain percentage of bonuses, which are determined according to the achievement rate for performance indicators during the target period. Restricted shares of the Company are granted based on this payment equivalent amount, and the ultimate number of shares delivered is calculated based on the payment equivalent amount, the share price, and other factors.

The Company has entered into an agreement on the allotment of restricted shares with the Eligible Directors, etc., and shares granted in accordance with this agreement cannot, in principle, be transferred or subjected to similar actions during the period up to the date on which an individual resigns or retires from their position as Director, etc. (the transfer restricted period).

(2) Amounts presented in the consolidated statement of profit or loss

Expenses related to the restricted share-based compensation plan amounted to ¥47 million (U.S. $294 thousand) for FY2025.

Such expenses are included in “selling, general and administrative expenses” of the consolidated statement of profit or loss.

35. Financial Instruments

(1) Management of capital risk

In order to sustainably enhance its corporate value, the SMM Group regularly sets out policies for the level of shareholders’ equity and its debt/equity structure, and then verifies the status of their implementation under the capital policy in view of capital efficiency and stability related to financing. In “3-Year Business Plan 2027”, the SMM Group had determined to maintain a consolidated equity ratio of greater than 50% as a financial indicator to prove its sound financial strength. However, on February 9, 2026, it changed its “Basic Policy of Financial Strategy” to not only maintain the ratio at greater than 50% but also to set the appropriate level at 55% and aim to adjust it to 58% by FY2027 through enhanced shareholder returns and other initiatives.

Changes in consolidated equity ratio are as follows.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total equity attributable to owners of parent	1,845,737	2,074,835	12,975,829
Total liabilities and equity	3,068,622	3,559,006	22,257,699
Consolidated equity ratio (Equity attributable to owners of parent ratio)	60.1%	58.3%	58.3%

(2) Management of financial risk

The SMM Group is exposed to various risks, such as credit risk, liquidity risk and market risks (comprising foreign currency risk, interest rate risk, commodity price fluctuation risk and equity price fluctuation risk), and performs risk management as described below.

1) Credit risk

Credit risk is the risk that customers and other counterparties will default on their contractual obligations, resulting in financial loss to the SMM Group.

With respect to trade receivables (notes and accounts receivable-trade), each business division within the SMM Group establishes its own set of credit control regulations. Pursuant to these regulations, sales and other relevant departments regularly monitor the status of counterparties, managing due dates and balances on an individual counterparty basis. In this manner, every effort is made to ensure early detection and mitigation of concerns regarding collection due to deterioration in financial standing or other factors.

As for other receivables (accounts receivable-other, etc.) and other financial assets such as loans receivable, etc., the SMM Group goes through an internal approval process regarding counterparties’ credit status at the start of transaction. The SMM Group also monitors counterparties to check their credit status on a regular basis even after the start of transaction.

With respect to the use of derivative transactions, steps are taken to engage in transactions with highly rated financial institutions only. These steps are taken with the aim of mitigating counterparty risk; therefore, such transactions have only limited impact on the SMM Group's credit risk. The SMM Group does not expose itself to significant concentrations of credit risk from specific counterparties as its receivables are due from a number of counterparties across a wide range of industries and geographies.

The maximum amount of the credit risk as of the consolidated closing date equals to the carrying amount of financial assets subject to credit risk that are presented in the consolidated statement of financial position. The following is the balance of guarantee obligations, which is the maximum exposure related to the SMM Group's credit risk.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Guarantee obligations	53,451	52,592	328,906

No provision for loss on guarantees that could arise from the performance of the said guarantee contracts is recorded as it is monetarily immaterial.

With respect to allowance for doubtful accounts for trade receivables, lifetime expected credit losses (ECL) are measured on a collective basis. The SMM Group calculates said allowance by first grouping receivables according to the similarity in characteristics of credit risks; and then by multiplying such receivables by a provision rate, determined based on the historical credit loss experience taking into account factors such as expected future economic conditions. A financial asset is considered to be credit-impaired when one or more events occur that have a detrimental impact on all the future cash flows that the SMM Group expects to receive; such events include an increase in probability that a counterparty will go into bankruptcy or other financial reorganization. On the occurrence of such events, the SMM Group measures ECL for credit-impaired financial assets on an individual receivable basis.

Allowance for doubtful accounts for other receivables and other financial assets such as loans receivable, etc. is measured at an amount equal to 12-month ECL if credit risk for them is deemed not to have increased significantly in accordance with the general approach. If otherwise, allowance for doubtful accounts is measured at an amount equal to lifetime ECL.

(i) Trade receivables

Changes in allowance for doubtful accounts for trade receivables are as follows.

FY2024 (From April 1, 2024 to March 31, 2025)

Not applicable.

FY2025 (From April 1, 2025 to March 31, 2026)

	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2025	–	–	–	–	–
Increase	–	7	–	–	7
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2026	–	7	–	–	7

	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2025	–	–	–	–	–
Increase	–	44	–	–	44
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2026	–	44	–	–	44

The aggregate carrying amount of financial assets subject to allowance for doubtful accounts is as follows.

Carrying amount	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2025	–	163,060	–	–
As of March 31, 2026	–	216,924	–	–
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2026	–	1,356,623	–	–

(ii) Loans receivable, etc.

There was no balance of allowance for doubtful accounts for loans receivable, etc. at the end of FY2024 or FY2025.

The carrying amounts by borrower for loans receivable subject to allowance for doubtful accounts are as follows.

As of March 31, 2025

Borrower	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Compania Minera Teck Quebrada Blanca S.A.	495,947	–	–	–
Other	2,287	–	–	–
Total	498,234	–	–	–

As of March 31, 2026

Borrower	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Compania Minera Teck Quebrada Blanca S.A.	545,445	–	–	–
Other	2,014	–	–	–
Total	547,459	–	–	–

Borrower	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Compania Minera Teck Quebrada Blanca S.A.	3,411,163	–	–	–
Other	12,595	–	–	–
Total	3,423,759	–	–	–

(iii) Other receivables and other financial assets

Changes in allowance for doubtful accounts for other receivables and other financial assets are as follows.

FY2024 (From April 1, 2024 to March 31, 2025)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2024	–	–	–	197	197
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2025	–	–	–	197	197

FY2025 (From April 1, 2025 to March 31, 2026)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2025	–	–	–	197	197
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2026	–	–	–	197	197

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2025	–	–	–	1,232	1,232
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2026	–	–	–	1,232	1,232

The aggregate carrying amount of financial assets subject to allowance for doubtful accounts is as follows.

Carrying amount	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2025	9,559	–	–	378
As of March 31, 2026	11,465	–	–	378
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2026	71,701	–	–	2,364

2) Liquidity risk

Liquidity risk is the risk of being unable to make payments on due dates in situations where the SMM Group is required to fulfill its repayment obligations for financial liabilities due.

The SMM Group manages liquidity risk by preparing and updating a cash management plan six months in advance based on reports from each department and division. Certain consolidated subsidiaries have adopted a cash management system and are efficiently maintaining appropriate levels of liquidity and cash on hand.

While maintaining an appropriate level of funds for repayment, the SMM Group has established a commitment line in case of emergencies such as unexpected funding needs and significant decline in market liquidity.

The amount of non-derivative financial liabilities by remaining term to maturity is as follows.

The amount of lease liabilities by remaining term to maturity is presented in “Note 21. Leases”.

FY2024 (As of March 31, 2025)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	246,428	246,428	246,428	–	–	–	–	–
Bonds and borrowings	560,303	599,401	205,903	107,500	94,298	61,561	67,415	62,724
Total	806,731	845,829	452,331	107,500	94,298	61,561	67,415	62,724

FY2025 (As of March 31, 2026)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	308,491	308,491	308,491	–	–	–	–	–
Bonds and borrowings	663,816	691,477	358,863	101,207	72,715	73,267	67,797	17,628
Total	972,307	999,968	667,354	101,207	72,715	73,267	67,797	17,628

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Non-derivative financial liabilities								
Trade and other payables	1,929,275	1,929,275	1,929,275	–	–	–	–	–
Bonds and borrowings	4,151,445	4,324,434	2,244,296	632,939	454,753	458,205	423,996	110,244
Total	6,080,719	6,253,709	4,173,571	632,939	454,753	458,205	423,996	110,244

3) Market risks

(i) Foreign currency risk

The SMM Group uses forward exchange contracts and currency option contracts in an effort to offset the risks of movements in foreign currency exchange rates in connection with recognized receivables and payables as well as forecast transactions denominated in foreign currencies.

Exposure to foreign currency risk

The SMM Group is exposed to foreign currency risk mainly arising from U.S. dollar fluctuations.

The SMM Group's exposure to the U.S. dollar exchange risk is as follows. The following figures are after deduction of the amount of exposures to foreign currency risk that is hedged with derivative transactions.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)
	Thousands of U.S. dollars	Thousands of U.S. dollars
Net exposure (liability)	(1,474,979)	(258,495)

Sensitivity analysis of foreign exchange

As for the SMM Group's foreign-currency-denominated financial instruments to which hedge accounting is not applied, the impact of weakening of the yen against the U.S. dollar by 1% on profit in the consolidated statement of profit or loss in each reporting period is as follows.

The figures below do not include the impact of translation of financial instruments denominated in functional currencies, as well as assets and liabilities and revenues and expenses of foreign operations into yen. This analysis is based on the assumption that other variable factors are constant.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	(1,531)	(287)	(1,795)

(ii) Interest rate risk

The SMM Group uses interest rate swap contracts and interest rate option contracts aiming at hedging the risks of hikes in interest rates for floating-rate borrowings.

Exposure to interest rate risk

The SMM Group's exposure to interest rate risk is as follows. The following figures are after deduction of the amount of exposures to interest rate risk that is hedged with derivative transactions.

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net exposure (liability)	(251,953)	(222,256)	(1,389,969)

Sensitivity analysis of interest rate

As for the SMM Group's floating-rate borrowings to which hedge accounting is not applied, the impact of interest rate hikes by 1% on profit in the consolidated statement of profit or loss in each reporting period is as follows. This analysis is based on the assumption that other variable factors (balance, exchange rate, etc.) are constant.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	(1,766)	(1,557)	(9,737)

(iii) Commodity price risk

The SMM Group engages in sales of metal and other products and purchases of copper concentrates and other materials that are used as raw materials for such products. As sales and purchase prices of such commodities are affected by fluctuations in commodity prices, the SMM Group is exposed to risk of price fluctuations. Therefore, the SMM Group employs commodity forward contracts and commodity option contracts, which seek to provide hedges for the risk of price fluctuations.

Sensitivity analysis of commodity prices

As for the SMM Group's commodity forward and other contracts, the impact of commodity price changes on profit in the consolidated statement of profit or loss is immaterial for FY2024 and FY2025.

(iv) Risks associated with fluctuations in prices of equity instruments

With respect to equity instruments, the SMM Group regularly monitors fair values as well as the financial status of issuers; when such issuers are the SMM Group's counterparties, the SMM Group also reviews its holdings on a continuous basis taking into consideration its relationships with them.

Sensitivity analysis of risks associated with fluctuations in prices of equity instruments

The impact of drops in market prices of the SMM Group's equity instruments by 10% on other comprehensive income (net of tax effect) in each reporting period is as follows. This analysis is based on the assumption that other variable factors are constant.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other comprehensive income (net of tax effect)	(17,840)	(24,817)	(155,203)

(3) Fair value of financial instruments

1) Financial instruments measured at amortized cost

Carrying amount and fair value of financial instruments measured at amortized cost are as follows.

The table below does not include financial instruments whose carrying amounts reasonably approximate fair values and those that are immaterial, except for floating-rate long-term loans receivable and payable. Nor does the table below include lease liabilities, whose fair value is not required to be disclosed under IFRS 7 "Financial Instruments: Disclosures".

	FY2024 (As of March 31, 2025)		FY2025 (As of March 31, 2026)			
	Carrying amount	Fair value	Carrying amount		Fair value	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Long-term loans receivable	498,219	498,219	547,444	3,423,665	547,444	3,423,665
Bonds payable	54,815	53,320	64,820	405,378	63,091	394,565
Long-term borrowings	385,103	382,648	355,513	2,223,346	351,945	2,201,032

The method to measure fair value is as follows.

Long-term loans receivable

The fair values of floating-rate long-term loans receivables are based on their carrying amounts because their fair values reflect market interest rates within a short period of time and closely approximate their carrying amounts.

Fixed-rate long-term loans receivables are classified into Level 3 of fair value hierarchy, and their fair values are measured based on a method whereby the total principal and interest are discounted at an interest rate reflecting difference between market interest rates at inception of loan and those at the end of the period.

Long-term loans receivables are included and presented in other financial assets in the consolidated statement of financial position.

Bonds payable

Bonds payable are classified into Level 2 of fair value hierarchy, and their fair values are measured based on market prices and others.

Bonds payable are included and presented in bonds and borrowings in the consolidated statement of financial position.

Long-term borrowings

The fair values of floating-rate long-term borrowings are based on their carrying amounts because their fair values reflect market interest rates within a short period of time and closely approximate their carrying amounts.

Fixed-rate long-term borrowings are classified into Level 3 of fair value hierarchy, and their fair values are measured based on a method whereby the total principal and interest are discounted at an estimated interest rate that is assumed to be applied to a new similar borrowing.

Long-term borrowings are included and presented in bonds and borrowings in the consolidated statement of financial position.

2) Financial instruments measured at fair value

The fair value hierarchy is categorized into the following three levels based on observability in market of inputs used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly

Level 3: Unobservable inputs

The breakdown of financial instruments measured at fair value by fair value hierarchy level is as follows.

FY2024 (As of March 31, 2025)

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	25,387	–	25,387
Derivatives to which hedge accounting is not applied	–	1,273	–	1,273
Derivatives to which hedge accounting is applied	–	2,675	–	2,675
Financial assets for the contingent consideration	–	–	1,839	1,839
Financial assets measured at fair value through other comprehensive income				
Equity instruments	250,379	–	7,354	257,733
Total	250,379	29,335	9,193	288,907
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	1,700	–	1,700
Derivatives to which hedge accounting is applied	–	7,970	–	7,970
Total	–	9,670	–	9,670

FY2025 (As of March 31, 2026)

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	24,741	–	24,741
Derivatives to which hedge accounting is not applied	–	6,918	–	6,918
Derivatives to which hedge accounting is applied	–	7,705	–	7,705
Financial assets measured at fair value through other comprehensive income				
Equity instruments	347,656	–	7,080	354,736
Total	347,656	39,364	7,080	394,100
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	5,750	–	5,750
Total	–	5,750	–	5,750

	Level 1	Level 2	Level 3	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	154,728	–	154,728
Derivatives to which hedge accounting is not applied	–	43,265	–	43,265
Derivatives to which hedge accounting is applied	–	48,186	–	48,186
Financial assets measured at fair value through other comprehensive income				
Equity instruments	2,174,209	–	44,278	2,218,487
Total	2,174,209	246,179	44,278	2,464,665
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	35,960	–	35,960
Total	–	35,960	–	35,960

The SMM Group recognizes transfers between fair value hierarchy levels as of the date of the event or change in circumstances that is the reason for the transfer.

There was no material transfer between Level 1 and Level 2 during each reporting period.

In addition, at derecognition of equity instruments or when the significant decline in fair value below acquisition cost is not temporary, the balance of other components of equity is transferred directly into retained earnings and not recognized in profit or loss.

The method to measure fair value is as follows.

Trade receivables with embedded derivatives

Trade receivables that include embedded derivatives and are accounted for in combination are classified into Level 2 of fair value hierarchy, and their fair values are measured based on the market price of copper on the London Metal Exchange (LME) for a certain period of time in the future.

Trade receivables with embedded derivatives are included and presented in trade and other receivables in the consolidated statement of financial position.

Derivatives

Derivatives are classified into Level 2 of fair value hierarchy, and their fair values are measured based on market prices and others.

Derivatives are included and presented in either other financial assets or other financial liabilities in the consolidated statement of financial position.

Financial assets for the contingent consideration

The fair value of financial assets for the contingent consideration is classified into Level 3 of the fair value hierarchy and is measured at the discounted present value of future cash flows estimated using Monte Carlo simulations based mainly on the estimates of copper prices.

It is presented in other financial assets in the consolidated statement of financial position.

Equity instruments

Marketable securities are classified into Level 1 of fair value hierarchy, and their fair values are measured based on market prices.

Unlisted shares are classified into Level 3 of fair value hierarchy, and their fair values are measured using valuation techniques such as one based on discounted future cash flows.

Unlisted shares are included and presented in other financial assets in the consolidated statement of financial position.

3) Reconciliation of financial instruments classified into Level 3 from the beginning to the end of period

Changes in the balance of financial instruments classified into Level 3 from the beginning to the end of period are as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	8,983	9,192	57,486
Total gains and losses			
Profit or loss (Note 1)	96	(1,839)	(11,501)
Other comprehensive income (Note 2)	113	(274)	(1,714)
Sales	–	–	–
Other	–	1	6
Balance at end of period	9,192	7,080	44,278

Notes: 1. Gains and losses included in profit or loss relate to financial assets measured at fair value through profit or loss as of the end of the reporting period. These gains and losses are included in "finance income" and "finance costs" in the consolidated statement of profit or loss, respectively.

2. Gains and losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the end of the reporting period. These gains and losses are included in "financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

Financial instruments classified into Level 3 consist of unlisted shares and financial assets for the contingent consideration.

In accordance with the SMM Group's accounting policy, their fair values are measured on a quarterly basis using the latest available data and reported to the superior; the SMM Group also constantly validates their appropriateness.

Significant unobservable inputs used in the measurement of fair value of unlisted shares classified into Level 3 are the discount rate used in the calculation of discounted future cash flows as well as the assumptions used for illiquidity discount. The discount rate used for FY2024 is approximately 7% and the SMM Group estimates the illiquidity discount at 30%. The discount rate used for FY2025 is approximately 9% and the SMM Group estimates the illiquidity discount at 30%. If the discount rate rises, the fair value decreases.

In February 2022, the SMM Group transferred its interest in the Sierra Gorda copper mine ("SG Mine"), located in the Republic of Chile, in its entirety by transferring its entire interests in SMM-SG Holding Inversiones SpA and SMM Holland B.V., both of which were consolidated subsidiaries of the Company. The consideration for the transfer included the right to receive up to U.S. $350 million if certain thresholds are met for copper prices and production of the SG Mine during the period through the end of 2025.

Financial assets for the contingent consideration are included in other financial assets in the consolidated statement of financial position, and the balance as of March 31, 2025 is ¥1,839 million. Furthermore, because these conditions were expected to not be fulfilled during FY2025, no balance was recorded as of March 31, 2026.

(4) Derivatives and hedge accounting

When applying hedge accounting, the SMM Group confirms whether an economic relationship between a hedged item and hedging instrument exists through qualitative and quantitative assessments. The qualitative assessments show whether the critical terms of hedged items and hedging instruments match exactly or are closely aligned, while the quantitative assessments show fluctuations in value of hedged items and hedging instruments offset each other because of the same risk. The purpose of these assessments is to confirm whether there is an economic relationship in which changes in fair value or cash flow of a hedged item attributable to the hedged risk shall be offset by changes in fair value or cash flow of a hedging instrument. The SMM Group also determines appropriate hedge ratios in light of economic relationships between hedging instruments and hedged items as well as the risk management strategy. The expected ineffective portion of hedge including cases affected by credit risk is immaterial.

1) Derivative transactions to which hedge accounting is applied

Floating-rate borrowings are exposed to risk of future interest rate hikes. The SMM Group enters into interest rate swap contracts and interest rate option contracts in order to hedge such risk, and designates these contracts as cash flow hedges.

For gold that will be sold in the future, there exists the risk of future fluctuations in commodity prices. In order to provide hedges for this risk, the SMM Group has entered into short commodity futures contracts and designated them as cash flow hedges.

The SMM Group is also subject to commodity price fluctuation risk arising from the fact that the timing of price-setting for copper raw materials does not coincide with that for copper products. The SMM Group enters into short commodity futures contracts or long commodity futures contracts both with inventories and purchase contracts as hedged items in order to hedge such risk, and designates these contracts as fair value hedges.

Notional amount and average price are as follows.

FY2024 (As of March 31, 2025)

Type of hedge	Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Cash flow hedges	Interest rate risk	Interest rate swaps (Millions of U.S. dollars)	87	13	13	61	Fixed interest rate 2.117%
		Interest rate swaps (Millions of U.S. dollars)	103	32	19	52	Fixed interest rate 2.185%
		Interest rate options (Millions of U.S. dollars)	87	13	13	61	Interest rate cap 3.071%
	Commodity price risk	Short gold futures contracts (Toz)	132,108	132,108	–	–	Average price ¥422 thousand/Toz
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	50,193	50,193	–	–	Average price ¥1,414 thousand/T

FY2025 (As of March 31, 2026)

Type of hedge	Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Cash flow hedges	Interest rate risk	Interest rate swaps (Millions of U.S. dollars)	74	13	13	48	Fixed interest rate 2.117%
		Interest rate swaps (Millions of U.S. dollars)	71	19	13	39	Fixed interest rate 2.185%
		Interest rate options (Millions of U.S. dollars)	74	13	13	48	Interest rate cap 3.071%
	Commodity price risk	Short gold futures contracts (Toz)	69,704	69,704	–	–	Average price ¥768 thousand/Toz (U.S. $4,803.00 /Toz)
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	47,847	47,847	–	–	Average price ¥2,047 thousand/T (U.S. $12,801.75 /T)
		Long copper futures contracts (T)	292	292	–	–	Average price ¥1,999 thousand/T (U.S. $12,501.56 /T)

Contract amount and fair value are as follows.

(Millions of yen)

	FY2024 (As of March 31, 2025)			FY2025 (As of March 31, 2026)		
	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value
Interest rate swap / option contracts	29,600	22,544	2,675	23,155	17,864	1,495
Commodity futures contracts	126,759	–	(7,970)	150,860	–	6,210
Total	156,359	22,544	(5,295)	174,015	17,864	7,705

(Thousands of U.S. dollars)

	FY2025 (As of March 31, 2026)		
	Contract amount and others	o/w Mature after one year	Fair value
Interest rate swap / option contracts	144,809	111,720	9,350
Commodity futures contracts	943,465	–	38,837
Total	1,088,274	111,720	48,186

Changes in fair values of hedging instruments and those used as the basis for recognizing ineffective portion are as follows.

FY2024 (As of March 31, 2025)

(Millions of yen)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Interest rate risk	2,675	–	Other financial assets	980
	Commodity price risk	–	6,431	Other financial liabilities	(15,968)
Fair value hedges	Commodity price risk	–	1,538	Other financial liabilities	(1,538)

FY2025 (As of March 31, 2026)

(Millions of yen)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Interest rate risk	1,495	–	Other financial assets	(213)
	Commodity price risk	2,062	–	Other financial assets	(32,181)
Fair value hedges	Commodity price risk	4,148	–	Other financial assets	4,148

(Thousands of U.S. dollars)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Interest rate risk	9,350	–	Other financial assets	(1,332)
	Commodity price risk	12,896	–	Other financial assets	(201,257)
Fair value hedges	Commodity price risk	25,941	–	Other financial assets	25,941

Carrying amount of hedged items, financial impacts of hedges included in carrying amounts and changes in fair value used as the basis for recognizing ineffective portion related to fair value hedges are as follows.

FY2024 (As of March 31, 2025)

(Millions of yen)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Inventories	72,492	1,538	1,538

FY2025 (As of March 31, 2026)

(Millions of yen)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Other current assets	11	11	11
	Inventories	93,773	(4,160)	(4,160)

(Thousands of U.S. dollars)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Other current assets	69	69	69
	Inventories	586,448	(26,016)	(26,016)

The amount recorded in other components of equity related to cash flow hedges is as follows.

FY2024 (As of March 31, 2025)

(Millions of yen)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Interest rate risk	1,681	–
Commodity price risk	(4,462)	–

FY2025 (As of March 31, 2026)

(Millions of yen)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Interest rate risk	893	–
Commodity price risk	1,412	–

(Thousands of U.S. dollars)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Interest rate risk	5,585	–
Commodity price risk	8,831	–

Changes in fair value of hedged items used as the basis for recognizing ineffective portion related to cash flow hedges are as follows.

FY2024 (As of March 31, 2025)

(Millions of yen)

Category of risk	Changes in fair value used as the basis for recognizing ineffective portion
Interest rate risk	980
Commodity price risk	(15,968)

FY2025 (As of March 31, 2026)

Category of risk	(Millions of yen) Changes in fair value used as the basis for recognizing ineffective portion	(Thousands of U.S. dollars) Changes in fair value used as the basis for recognizing ineffective portion
Interest rate risk	(213)	(1,332)
Commodity price risk	(32,181)	(201,257)

The amount recorded in gains or losses and line items in the consolidated statement of profit or loss related to cash flow hedges are as follows.

FY2024 (As of March 31, 2025)

(Millions of yen)

Category of risk	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Interest rate risk	1,025	–	–	(1,772)	Finance costs
Commodity price risk	(15,968)	–	–	(12,747)	Net sales

FY2025 (As of March 31, 2026)

(Millions of yen)

Category of risk	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Interest rate risk	(90)	–	–	(967)	Finance costs
Commodity price risk	(32,181)	–	–	(40,674)	Net sales

(Thousands of U.S. dollars)

Category of risk	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Interest rate risk	(563)	–	–	(6,048)	Finance costs
Commodity price risk	(201,257)	–	–	(254,371)	Net sales

2) Derivative transactions to which hedge accounting is not applied

FY2024 (As of March 31, 2025)

Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	30	30	–	–	Average ¥149.04/U.S. $
Commodity price risk	Short copper futures contracts (T)	9,202	7,702	1,500	–	Average price ¥1,422 thousand/T
	Long copper futures contracts (T)	24,075	23,350	725	–	Average price ¥1,393 thousand/T
	Long nickel futures contracts (T)	216	216	–	–	Average price ¥2,941 thousand/T
	Short gold futures contracts (Toz)	6,012	6,012	–	–	Average price ¥450 thousand/Toz

FY2025 (As of March 31, 2026)

Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	42	42	–	–	Average ¥158.52/U.S. $
Commodity price risk	Short copper futures contracts (T)	12,659	9,659	3,000	–	Average price ¥ 1,900 thousand/T (U.S. $11,882.43/T)
	Long copper futures contracts (T)	28,470	27,445	1,025	–	Average price ¥1,758 thousand/T (U.S. $10,994.37/T)
	Long nickel futures contracts (T)	258	258	–	–	Average price ¥2,710 thousand/T (U.S. $16,948.09/T)
	Short gold futures contracts (Toz)	41,153	41,153	–	–	Average price ¥780 thousand/Toz (U.S. $4,878.05/Toz)

Contract amount and fair value are as follows.

(Millions of yen)

	FY2024 (As of March 31, 2025)			FY2025 (As of March 31, 2026)		
	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	4,471	–	(1)	6,658	–	40
Commodity futures contracts	49,966	3,192	(426)	94,194	7,963	1,128
Total	54,437	3,192	(427)	100,852	7,963	1,168

(Thousands of U.S. dollars)

	FY2025 (As of March 31, 2026)		
	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	41,639	–	250
Commodity futures contracts	589,081	49,800	7,054
Total	630,719	49,800	7,305

36. Consolidated Subsidiaries

(1) Significant subsidiaries

The status of the Company's major consolidated subsidiaries is as follows.

Company name	Location	Reportable segments	Voting rights held by the Company (%)	
			FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)
Sumitomo Metal Mining America Inc.	U.S.A.	Mineral Resources	100	100
Sumitomo Metal Mining Arizona Inc.	U.S.A.	Mineral Resources	80	80
SMM Morenci Inc.	U.S.A.	Mineral Resources	100	100
SMM GOLD COTE INC.	Canada	Mineral Resources	100	100
Sumitomo Metal Mining Oceania Pty. Ltd	Australia	Mineral Resources	100	100
Hyuga Smelting Co., Ltd.	Japan	Smelting & Refining	60	70
Coral Bay Nickel Corporation	The Philippines	Smelting & Refining	100	100
Taganito HPAL Nickel Corporation	The Philippines	Smelting & Refining	75	75
Ohkuchi Electronics Co., Ltd.	Japan	Materials	100	100
Shinko Co., Ltd.	Japan	Materials	100	100
JCO Co., Ltd.	Japan	Other Businesses	100	100

(2) Consolidated subsidiary with significant non-controlling interests

The condensed financial information of a consolidated subsidiary in which the Company recognizes significant non-controlling interests is as follows. The condensed financial information shows figures before the elimination of transactions between consolidated companies.

SMM Quebrada Blanca SpA

1) Proportional share of non-controlling interests and cumulative amount of non-controlling interests

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Proportional share of non-controlling interests	17%	17%	
Cumulative amount of non-controlling interests	103,012	109,313	683,634

2) Profit or loss allocated to non-controlling interest and dividends paid to non-controlling interests

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit or loss allocated to non-controlling interest	(1,706)	78	488
Dividends paid to non-controlling interests	–	–	–

3) Condensed financial information

	FY2024 (As of March 31, 2025)	FY2025 (As of March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current assets	23,275	23,873	149,300
Non-current assets	567,749	607,123	3,796,892
Total assets	591,024	630,996	3,946,191
Current liabilities	1,693	1,410	8,818
Non-current liabilities	–	–	–
Total liabilities	1,693	1,410	8,818
Total equity	589,331	629,586	3,937,373
Total liabilities and equity	591,024	630,996	3,946,191

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	–	–	–
Profit (loss)	(10,235)	1,427	8,924
Comprehensive income	36,933	(2,181)	(13,640)

37. Related Parties

(1) Related party transactions

The SMM Group conducts transactions with the following related parties.

FY2024 (From April 1, 2024 to March 31, 2025)

Type	Name of the company or person	Location	Capital (Thousands of U.S. dollars)	Segment	Voting rights held by the Company	Description of the business relationship	Transaction detail	Transaction amount	Account item	Ending balance
					(%)			Millions of yen		Millions of yen
Associate	Quebrada Blanca Holdings SpA	Santiago, Chile	3,480,803	Mineral resources	33	Financing support	Subscrip-tion to capital increase	23,994 (Note 1)	–	–
Subsidiary of an associate	Compañia Minera Teck Quebrada Blanca S.A. (Note 2)	Santiago, Chile	3,275,019	Mineral resources	–	Debt guarantee for loans, etc., from financial institutions, etc.	Debt guarantee	49,951 (Note 3)	–	–
							Debt guarantee fee	357 (Note 3)	Other financial assets	95
						Financing support	Providing loans	71,981 (Note 4)	Other financial assets	497,666 (Note 4)
							Interest received	38,928 (Note 4)		

Notes:
1. The subscription to capital increase refers to an investment by the SMM Group in Quebrada Blanca Holdings SpA.
2. Compañia Minera Teck Quebrada Blanca S.A. is a 90% subsidiary of Quebrada Blanca Holdings SpA, an associate in which the Company holds a 27.77% interest.
3. The SMM Group guarantees for loans, etc., from financial institutions, etc.
4. Terms and conditions of loan are determined based on the market interest rates, etc.

FY2025 (From April 1, 2025 to March 31, 2026)

Type	Name of the company or person	Location	Capital (Thousands of U.S. dollars)	Segment	Voting rights held by the Company	Description of the business relationship	Transaction detail	Transaction amount		Account item	Ending balance	
					(%)			Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Associate	Quebrada Blanca Holdings SpA	Santiago, Chile	3,829,514	Mineral resources	33	Financing support	Subscrip-tion to capital increase	17,390 (Note 1)	108,755	–	–	–
Subsidiary of an associate	Compañia Minera Teck Quebrada Blanca S.A. (Note 2)	Santiago, Chile	3,623,730	Mineral resources	–	Debt guarantee for loans, etc., from financial institutions, etc.	Debt guarantee	47,092 (Note 3)	294,509	–	–	–
							Debt guarantee fee	257 (Note 3)	1,607	Other financial assets	77	482
						Financing support	Providing loans	52,169 (Note 4)	326,260	Other financial assets	547,394 (Note 4)	3,423,352
							Interest received	40,849 (Note 4)	255,466			

Notes:
1. The subscription to capital increase refers to an investment by the SMM Group in Quebrada Blanca Holdings SpA.
2. Compañia Minera Teck Quebrada Blanca S.A. is a 90% subsidiary of Quebrada Blanca Holdings SpA, an associate in which the Company holds a 27.77% interest.
3. The SMM Group guarantees for loans, etc., from financial institutions, etc.
4. Terms and conditions of loan are determined based on the market interest rates, etc.

(2) Compensation for key management personnel

The compensation for key management personnel is as follows.

	FY2024 (From April 1, 2024 to March 31, 2025)	FY2025 (From April 1, 2025 to March 31, 2026)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Compensations and bonuses	402	562	3,515
Total	402	562	3,515

38. Contingent Liabilities

There are no significant contingent liabilities.

39. Subsequent Event

(Purchase and cancellation of treasury shares)

The Company has resolved, at the meeting of the Board of Directors held on May 11, 2026, to repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the act, and to cancel its own shares pursuant to Article 178 of the act.

1. Reason for repurchasing and cancelling own shares

   To further optimize the capital structure, enhance capital efficiency, and implement more appropriate shareholder returns based on the basic policy of financial strategy and shareholder return policy announced on February 9, 2026.

2. Details of repurchase

   1) Type of shares to be repurchased: Common shares of the Company

   2) Total number of shares to be repurchased: Up to 4,000,000 shares (Ratio to the outstanding shares: 1.48%)

   3) Total amount of repurchase price: Up to ¥20,000 million (U.S. $125,078 thousand)

   4) Repurchase period: From May 12, 2026 to July 31, 2026

   5) Repurchase method: Market purchases based on the discretionary dealing contract

3. Details of cancellation

   1) Type of shares to be cancelled: Common shares of the Company

   2) Total number of shares to be cancelled: The total number of own shares to be repurchased based on 2. above.

   3) Scheduled cancellation date: September 30, 2026

4. Status of repurchase of own shares

   The Company repurchased its own shares of 2,065,800 shares (the amount of repurchase price: ¥19,999 million (U.S. $125,072 thousand)) during the period from May 12, 2026 to May 28, 2026 based on the resolution above.

(2) Other

Quarterly information for FY2025

	Three months ended June 30, 2025	Six months ended September 30, 2025	Nine months ended December 31, 2025	FY2025
Net sales (Millions of yen)	379,600	783,361	1,250,721	1,741,586
Profit before tax (Millions of yen)	37,901	77,815	148,258	255,680
Profit attributable to owners of parent (Millions of yen)	27,438	53,940	108,188	176,290
Basic earnings per share (Yen)	100.27	198.12	398.21	649.55

	Three months ended June 30, 2025	Six months ended September 30, 2025	Nine months ended December 31, 2025	FY2025
Net sales (Thousands of U.S. dollars)	2,373,984	4,899,068	7,821,895	10,891,720
Profit before tax (Thousands of U.S. dollars)	237,029	486,648	927,192	1,598,999
Profit attributable to owners of parent (Thousands of U.S. dollars)	171,595	337,336	676,598	1,102,502
Basic earnings per share (U.S. dollars)	0.63	1.24	2.49	4.06

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	100.27	97.34	199.67	250.94

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (U.S. dollars)	0.63	0.61	1.25	1.57

Note: For the first quarter and the third quarter, quarterly financial information has been prepared in accordance with the regulations set by the financial instruments exchange, and the interim review of the quarterly financial information has been conducted.